

How risk managers can get the information they need

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business insurance

for buyers of employee, property and liability protection/pension investments/financial services



Provisions of a modified no-fault plan under consideration in Illinois are discussed by, left to right, Sheldon H. Staubitz, insurance and real estate manager of Chemetron Corp.; Illinois Insurance Director James Baylor, and Robert E. Leshner, assistant risk manager of Trans Union Corp. They are among corporate insurance buyers who are reviewing proposed legislation to reform the auto victim reparations system.

—Business Insurance photo

Voice your opinion on how to reform auto reparations system

CHICAGO—Corporate insurance consumers will be strongly affected by the outcome of the great national debate over reforming our system of compensating victims of auto accidents.

Twenty-eight state legislatures and the U. S. Congress this year considered bills proposing various methods of reform ranging from mild changes within the framework of the present tort system to drastic revisions that envision direct payments to victims by their own insurers without recourse to the courts.

On the reverse side of this page *Business Insurance* offers corporate insurance consumers an opportunity to speak out on no-fault plans by means of a questionnaire that includes the key questions that affect fleet vehicle operations.

YOU CAN VOICE your opinion on the no-fault principle; on the way the law should treat commercial vehicles; on whether the states or the federal government should set standards, and on whether no-fault insurance proposals should cover both bodily injury and property damage.

The great debate over reforming our auto victim reparations system has raged for years as court calendars became increasingly crowded while the nation's accident total ran to more than 15 million annually and the cost to the economy for auto mishaps rose to something more than \$12 billion a year.

In the mid-1960s fuel was added to the controversy by the publication of "Basic Protection for the Traffic Victim" by Robert E. Keeton and Jeffrey O'Connell, law professors who advocated drastic surgery on the present tort system to, among other things, cut down on the amount that is drained from the auto victim reparations system by plaintiffs' attorneys.

AFTER PUBLICATION of the book, the plaintiffs' bar—represented chiefly by the American Trial Lawyers Assn.—began to campaign to retain the present tort system. Lawyers relied upon the

argument that first-party payments without recourse to the courts denied the accident victim his constitutional right to adjudication of his claim.

Insurance companies split in several directions over the reform proposals. The American Insurance Assn., representing major capital stock insurers, advocated adoption of a limited no-fault proposal patterned on the Keeton-O'Connell plan, a version of which was introduced into the New York legislature by Gov. Nelson Rockefeller and former New York Insurance Supt. Richard Stewart. The New York proposal includes a provision that would make commercial vehicles "absolutely liable" for damages arising out of collisions with private passenger cars.

Other insurers, represented by the American Mutual Insurance Alliance and the National Assn. of Independent Insurers, urged more conservative revision of the auto victim compensation system. Their initial proposals centered around systems of "advance payments" to accident victims which would have allowed prompt financial relief without forfeiture of the right to recover additional damages in court.

OFFICERS OF the American Society of Insurance Management thrust themselves into the great debate in testimony before Congressional committees this month. They opposed "absolute liability" for commercial vehicles while favoring a set of national standards for no-fault insurance. Their stand for U. S. standards was based on the belief that confusion could arise if 50 states and the District of Columbia adopted their own versions of no-fault insurance without regard to compatibility with reparations laws in other states. Thus far, only Massachusetts has instituted a no-fault plan, but there it applies only to bodily injuries and there is recourse to courts in instances of major losses.

Before other legislatures act, you can voice your opinion by completing the questionnaire on page 2 and by submitting it before June 18.

U.S. insurers offer \$14 million limits for water pollution

NEW YORK—More than 25 U. S. insurance companies, under the shell of the American Institute of Marine Underwriters, have formed the Water Quality Insurance Syndicate and on May 31 will begin insuring water pollution clean-up costs in amounts up to \$14 million per occurrence.

The announcement of the pool's formation comes a year after President Nixon signed the Water Quality Improvement Act of 1970 and a month after the act was fully implemented.

Under the act ship owners and operators whose vessels enter any navigable waters of the United States (including the Panama Canal and approaches) are liable to the government for costs incurred in cleaning up oil or other spills. Maximum potential liability for such accidental spills is \$100 per gross ton of vessel or \$14 million, whichever is less. Shipowners are required to provide proof of financial responsibility before their vessel can enter U. S. waters and the new insurance is one way to establish such responsibility.

ONE IMMEDIATE question

raised by the pool's formation is how it might fit in with or affect the operation of TOVALOP (Tanker Owners' Voluntary Agreement of Liability on Pollution) and the tanker industry pool, the International Tanker Indemnity Assn. (ITIA), which has been operating in Bermuda since late 1969. The answer, apparently, is that it will have little or no effect on either.

About 92% of the world's ocean-going tanker tonnage have already established proof of financial responsibility through their normal protection and indemnity clubs or through the Bermuda association, largely for tankers that are self-insured.

What the Water Quality Insurance Syndicate is aiming for, however, is the vast market of smaller coastal vessels that until now have not insured such pollution clean-up liability. A 1,000 ton barge or fishing vessel, for instance, could find itself liable to the government for \$100,000 in clean-up costs.

FRANCIS A. Lewis, senior vp
Continued on page 2

Foreign insurance hurt little in U.S. dollar dive

NEW YORK—The monetary upset that hit Europe and sent the American dollar for a short nose dive early this month will have little effect on the insurance and employee benefit buying habits of U. S. corporations with operations abroad.

This is the consensus of a *Business Insurance* survey, which also revealed that the increases in the value of certain European currencies may, however, have an effect on some U. S. employees working overseas. Or, as one broker put it, "the people who have their feet in two economies."

"The U.S. citizen working overseas at an operating unit of a U.S. parent company is in a rather unique position," said an international employee benefit/compensation specialist.

"FIRST OF ALL he may be highly skilled or a very special individual and in some cases may be being paid in U. S. dollars. His pension fund may also be funded offshore in dollars, too. We don't recommend this as a rule," he added, "but until two weeks ago

the dollar has been the more desirable currency and some employees have insisted on being compensated in dollars."

The net effect for this person, he added, is a pay cut. The dollar, for example, will be worth about 7% less in Switzerland and about 5% less in Austria. In West Germany and Holland the dollar also buys a little less these days, although the exact figure is unknown since these currencies are being allowed to float within certain limits for the time being.

On the property and liability side of insurance, the monetary situation has apparently caused little more than a few ripples in a storm-tossed sea.

"We have had some requests to up insured property values at European locations," said Michael Twomey, vp of American International Underwriters. However, he added, this has not caused any serious problems. In fact, he noted, he himself "wouldn't worry about" increasing insured values on property in Europe "unless they are woefully underinsured as it is."

Name FAA permanent war risk staff

WASHINGTON—The Federal Aviation Administration has established a permanent staff and office to administer its war risk insurance program with U.S. international air carriers.

James D. Cameron, who was formerly associated with Clarence Pell at Air Transport Insurance SA, the industry-supported captive that didn't get off the ground, will head the new division in FAA's Office of International Aviation Affairs.

Mr. Cameron will have overall responsibility for developing and recommending agency policies and procedures, reviewing applications and processing claims. Prior to this responsibility had been with the FAA's Office of the General Counsel.

Mr. Cameron's departure from Air Transport Insurance, incidentally, all but sounds the final death knell for the airline captive scheme, which seemed like a good idea until the insurance industry had a better one—more capacity. As far as could be determined an office is being maintained in New York and, presumably, battle plans for captive companies still reside in file cabinets. Telephone calls, in the meantime, are being taken by an answering service. ■

Dollar...

Continued from page 1

in charge of marine and aviation insurance for the Insurance Co. of North America, is executive committee chairman of the new syndicate. Members of the group, in addition to INA, include most members of the American Institute of Marine Underwriters and embrace most of the nation's ocean marine insurance firms.

Interestingly enough, INA was the first U. S. insurer to exclude pollution damages from liability policies. In a firm stand taken two years ago, the company termed such coverage "antisocial."

Asked if INA's participation in the new pool does not negate this philosophy, Mr. Lewis told *Business Insurance*:

"We are insuring only the clean-up costs of demonstrable oil spills. Our insurance runs to the government and in a way it is a public service assuring the cost of clean-up which is payable to the U. S. government. We are not in any way insuring liability to the public. Our liability runs solely to the government."

IN ADDITION, Mr. Lewis said, the new syndicate is also providing a service to the American Merchant Marine fleet. We are just as anxious to keep them afloat as they are," he told this magazine, noting eventually the pool will also insure foreign flag vessels, which are also obligated

to provide proof of financial responsibility before entering U. S. waters.

According to Mr. Lewis, the new pool is unique to marine coverage in at least one respect. That is, there will be no underwriting standards applied during the pool's initial phase of operation. Any vessel owner who applies for coverage will be underwritten, even in spite of a past history of cargo spills.

Premiums for the coverage are standard, however. The rate for dry cargo vessels is 50 cents a gross ton. Tankers and other conveyers of liquid cargos will have to pay 75 cents a gross ton. Coverage applies from the first dollar of clean-up costs on up to the maximum of \$14 million. ■

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What's your view on no-fault?

With 28 states and the U.S. Congress considering no-fault auto insurance legislation, it's important that you make your voice heard. Fill in this questionnaire and mail to No-Fault Survey, *Business Insurance*, 740 Rush St., Chicago, Illinois, 60611. Ballots received by June 18 will be counted in results to be published in the July 5 issue of *Business Insurance*. Be sure to complete the form with your name, title and company. This information will remain confidential, but the survey will include only responses from corporate insurance consumers.

1. On the no-fault concept for reform of auto victim compensation system:

- ☐ I would retain the present tort system with modifications such as advance payments for seriously injured victims.
- ☐ I favor a modified no-fault system with direct first-party payments to injured parties up to a certain amount, but victims would retain the right to sue.
- ☐ I favor adoption of a broad no-fault system that would compensate accident victims promptly without recourse to the courts.

2. On the treatment of commercial vehicles under no-fault:

- ☐ I would impose "absolute liability" on commercial vehicles in collisions with private passenger cars, making the commercial vehicle's insurer pay for all damages.
- ☐ I would not introduce any provisions setting commercial vehicles apart from private passenger cars.
- ☐ I would set up an equalizing liability factor that would take into consideration the greater potential for damage of large commercial vehicles.

3. On standards for no-fault auto insurance:

- ☐ I favor national standards set by Congress.
- ☐ I favor adoption of standards by each state.

4. On the scope of no-fault auto insurance laws:

- ☐ I favor no-fault for bodily injury losses only.
- ☐ I favor no-fault for bodily injury and property damage losses.

Any other comments?



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Security controversy

Battle is hot and heavy at Miami International

MIAMI—A team of airline security experts has urged that Miami International Airport's police unit be brought up to strength to cope with a rising tide of thefts of cargo, automobiles and baggage.

In an independent study, a safety consultant has estimated that thieves steal \$3 million worth of freight and baggage from the busy Florida airport each year. The consultant, Jackson G. Flowers, warned that the crime wave could bring about higher insurance costs for shippers and carriers.

In its report, the airline industry team recommended that the present Dade County public safety department airport branch be replaced by an autonomous police unit under the wing of the airport's landlord, the Dade County Port Authority.

THE AUTHORITY and the airlines long have favored such a change, but the public safety department has opposed it, fearing that a more highly paid, elite unit would draw potential officers from the department and aggravate an existing manpower shortage. That shortage drew the attention of the three-man Air Transport Assn. study team, which fears that airport policemen are being diverted to regular duty because of vacancies in other departments.

The team urged that the present 45-man uniformed police unit at the airport be bolstered to its budgeted strength of 65, with mobile patrols stepped up through the perimeter, cargo areas and the theft-prone parking lots.

A plainclothes detective force also should be added, said the team, one of several looking at major airports' security problems across the nation. Detectives could add 24-hour investigative and surveillance capability, with emphasis on the lots, where more than 250 cars were stolen last year.

Mr. Flowers said thieves have also stripped cars of everything from hubcaps to the windshields.

The airline report suggested that a Federal Bureau of Investigation field office be established at the airport. FBI agents assigned to the airport presently work out of an office in downtown Miami.

The report also called for an identification system, maintained by the port authority, to cover all 33,000 airport employees when they enter restricted areas on the field. Decals or plates also should be issued to identify vehicles permitted on the terminal ramp, where cargo and baggage are most vulnerable to theft.

Airline security experts also called for "continuous and vigorous" patrol of the ramp, with traffic tickets issued to all unauthorized vehicles.

Mr. Flowers, president of the south Florida chapter of the American Society of Safety Engineers, contended that most cargo thefts "are triggered by organized criminal syndicates that lit-

erally place orders for specific merchandise with corrupt employees." He urged county officials to mount a coordinated attack with federal and state crime-busters "against this spectre of mob infiltration" at the airport.

He estimated that monthly cargo and baggage losses run to \$250,000, but called that figure "conservative." He said that airline and law enforcement sources "told me that it could go higher."

PORT AUTHORITY and airline sources question both Mr. Flowers' loss estimates and his charge that organized crime is involved.

"I've never heard of losses being that great here," said William

H. Norton, retiring chief of operations and security at the airport. "Thefts have been kept to a minimum. I certainly can't agree with the figures."

Miami International's own airport security committee has been assured by FBI agents that there is no evidence of penetration at the airport by a central crime organization. Some airlines acknowledge the existence of cells of colluding employees, working in concert to pilfer shipments.

Mr. Norton and Mr. Flowers agree that a central records and fingerprint file is needed to monitor employees on the field.

"WE CAN HAVE no real assurance that known or even wanted

criminals aren't working there" without an identification system, Mr. Flowers complained in a report to the south Florida chapter, which includes airline and insurance men among its members.

In a letter to the chapter's executive committee, he questioned whether a task force from the organization shouldn't conduct more detailed investigation.

He disagrees with the airline team's assessment that auto larceny is the airport's "greatest enforcement problem."

"The big problem is cargo and baggage," declared Mr. Flowers, a former Dade safety director and National Safety Council vp.

"Those losses far exceed what's happening in the parking lots." ■



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Sal A. Lauricella has been appointed chief of the surety division of the Small Business Administration, Washington, D. C. Mr. Lauricella, a native of Detroit, will be responsible for the development and implementation of a federally sponsored guarantee program to encourage private surety companies to write contract bonds for small contractors. He was formerly a consultant to the State of Michigan, where he conducted several studies of bonding, civil liability and insurance.



washington watch

Legislation makes air freight carriers liable for actual cash value of cargo

WASHINGTON—Charging that the airlines have made only "meager efforts" in the last two years to improve cargo security, Sen. Alan Bible (D.—Nev.) has introduced legislation that would make domestic air freight carriers liable for the actual cash value of the loss or damage to goods they carry.

The impact of air cargo theft on the shipping community reached a record high of \$210 million or more in 1970, Sen. Bible said. Thus, he reasons, a

"more realistic carrier liability requirement" could "serve as a substantial incentive for the airlines to undertake more affirmative security measures to protect that cargo moving in increasingly greater tonnage through our airlines."

Presently, in domestic air commerce, the air carriers' liability for the negligent loss of freight is set by law at 50 cents a pound, with a maximum of \$50 per shipment, unless a greater value is

declared by the shipper.

In this case, the shipper can be covered for a larger amount by paying 10 cents for each \$100 value over \$50. But, according to Sen. Bible, there is no incentive to the carrier—either legal or otherwise—to disclose this option to the small shipper, who, he claims, typically is unaware of any limits on carrier liability.

Two years ago, following an investigation into the "increasingly acute rate of air cargo thievery

and pilferage at the country's major air terminals," by Sen. Bible's Small Business Committee, the Senator said if the airlines and the Civil Aeronautics Board did not do something about the pilferage problem themselves, he would introduce and fight for legislation to require domestic air carriers to assume the same degree of liability as that required of other public carriers.

As noted, Sen. Bible feels the airlines have done little or nothing. The CAB, he says, recognized the problem and made some noises about doing something. But, he continues, the matter has been in an "inactive and silent" state at the CAB for the past 18 months "while cargo thefts have increased to the detriment of businesses and the shipping public."

The fate of the proposed legislation is difficult to predict. But, there is no question that the issue of air cargo and other pilferage has gained increased attention

throughout the nation.

THIS IS LARGELY as a result of Sen. Bible's well-publicized investigation into the broad issue of the impact of crime on small business, with emphasis on the vulnerability of goods and cargo to theft and pilferage "from the point of shipment from the factory or importation, as they enter the transportation network on their way to the wholesale distributor, retailer and consumer."

Earlier this year, Sen. Bible reintroduced a bill, first proposed by him in 1970, to establish a temporary, presidentially-appointed commission on security and safety of cargo to seek out methods of dealing with, what he describes as the "biggest multi-billion-dollar racket nationally today—the stealing of cargo from air, truck, ship and rail carriers by both organized and unorganized criminal elements."

Among other things, the commission would be charged with examining insurance liability limitations, establishing a uniform centralized loss reporting system for all cargo and evaluating cargo theft deterrents, including packaging, containerization, personnel security, physical security and law enforcement liaison.

In introducing the legislation, Sen. Bible said his committee staff developed a projection that cargo theft from the different modes of transportation cost \$1.2 billion in 1969. For 1970, the committee believes that total has increased by at least 17% for a total cost of an estimated \$1.4 billion.

THE 1970 LOSS was led by truck thefts and hijackings at \$900 million, airlines at \$110 million and probably more, railroads at \$250 million and maritime shipping losses at \$210 million, he continued, adding that the figures are conservative estimates and represent only those goods stolen or pilfered.

The cost to business in not having products for sale, customer goodwill, increased insurance premiums, and so forth, cannot be measured, he said.

The Administration recently got on the Bible bandwagon when it had Sen. Wallace Bennett (R.—Utah) introduce for it a bill to increase the security and protection of merchandise at ports of entry in the U.S. from loss or damage as a result of "criminal and corrupt practice."

Sen. Bennett noted that it is difficult to judge the full extent of the theft problem because businessmen often absorb theft losses and refuse to disclose their scope in order to prevent "drastic increases in insurance costs or outright cancellation."

But he said, statements made at Sen. Bible's hearings dealing with losses by individual industries, the growth of the air freight industry and the rise in cargo insurance rates evidenced the seriousness of the problem.

Sen. Bennett's bill would establish criminal penalties for the illegal removal of cargo from areas under control of the bureau of customs. It also directs the Secretary of the Treasury to establish national standards for the physical security of terminal facilities and gives additional power to the Secretary to prohibit the unloading or loading of merchandise at any terminal that does not conform to the standards prescribed. In addition, the bill establishes the machinery to take additional steps to protect cargo if the standards do not reduce the thievery.

The first step would be to designate certain areas "freight risk" areas and severely restrict access to them.

* * *

Continued on page 36

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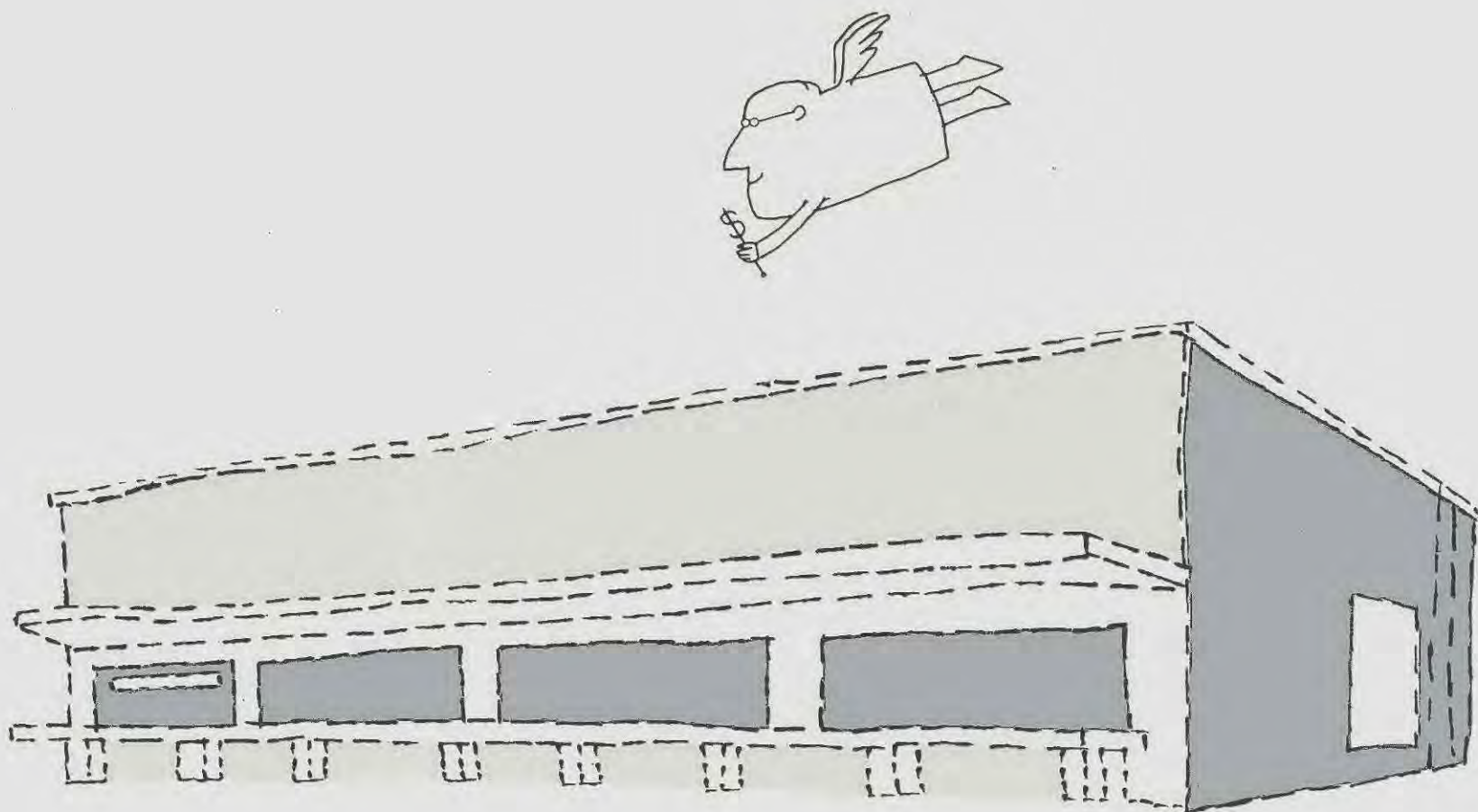
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Eastern Airlines wins performance bond suit

HARTFORD—The Hartford Accident and Indemnity Co. has appealed to the U.S. Supreme Court, claiming it shouldn't be required to pay Eastern Air Lines \$259,569 because an airplane sale fell through.

Hartford got into the case because it sold a \$1 million performance bond to Jet Power Inc. The latter firm had a \$1,422,044 contract to buy 29 Constellation planes from Eastern, all of the airline's spare engines and a complete inventory of Constellation spare parts.

The performance bond made Hartford liable if Jet Power breached the contract. On Oct. 27, 1967, Jet Power claimed that Eastern was not delivering the

same Curtiss-Wright engines that had been promised. Jet Power then rejected the entire contract and Hartford became target of an Eastern court action.

HARTFORD claims that about 80% to 90% of the engine parts delivered to Jet Power were not parts described in the inventories, but were old or superseded parts. Moreover, it claimed that because the Eastern-Jet Power contract was executed in Florida, that state's uniform commercial code prevailed. (Florida law requires that where goods are described in bargaining, the seller automatically and expressly guarantees that goods shall conform to description).

But a U.S. district court judge found in favor of Eastern, ordering Hartford to pay the \$259,569. The decision was subsequently upheld by the U.S. court of appeal for the fifth circuit. The courts found that the Jet Power-Eastern contract said the spare parts list "may or may not reflect the actual inventory as of the date of this agreement."

The Hartford argues that in this particular phrase, Eastern referred to quantity of spare parts, not the type.

Claims fund sues to void its liability

MIAMI—Florida's new industry-financed Insurance Guaranty Assn. has questioned in court its liability for claims against Miami's bankrupt First American Insurance Co.

The suit, filed in the state capital of Tallahassee, could exclude almost all of the First American policyholders who have been confident to date that their claims would be covered by the industry's association. It also could imperil the claims of Florida residents holding policies with Maine Insurance Co., another firm placed in receivership recently.

The litigation came as a blow to those who had hailed creation of the guaranty fund as the major piece of insurance consumer legislation passed in Florida during the past legislative session. The fund was established after the failure of Miami-based State Fire and Casualty Co. brought threats of federal intervention.

BUT THE association which would assess all companies selling automobile insurance in the state to settle the claims raised several legal issues in court that could sharply limit its liability.

First, it questioned the law's provision that the fund must pay all claims incurred within 30 days after a company becomes "insolvent."

"But does that mean when it is adjudged insolvent or when the company factually became insolvent?" the association attorneys asked.

Some companies may have been factually insolvent for months, or even years, prior to action by the state actually declaring the fact. Since the companies continue to sell insurance during that interim period, the association could sharply curtail the number of eligible claimants if it can get a court to agree to use the "factually insolvent" date.

The association also questioned whether the fund would have to pay claims incurred but never before it was created.

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info for buyers

Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they saw the item in *Business Insurance*.

Readers are invited to submit items for inclusion in this column. A sample of the literature should be sent to: Info for Buyers, *Business Insurance*, 740 Rush Street, Chicago 60611.

• **What About Drugs And Employees?** is a booklet dealing with the drug problems in industry. Guidelines included in the booklet cover identification of drug dependencies on the job, drug abuse on the job, special problems of illegal drug use and drug traffic, treatment resources and background information regarding marijuana. The booklet is released by Kemper and also contains Kemper insurance guidelines on policy and procedures and general Kemper policies regarding drugs. Initial orders of five copies are free from the company, additional orders are 10 cents each. Direct requests to the firm at 4750 Sheridan Rd., Chicago, Ill. 60640.

• The June **ANNALS** of the Society of Chartered Property and Casualty Underwriters, Box 519, Media, Pa. 19063, will be a review, analysis and critique of the U. S. Department of Transportation's DOT study. The **ANNALS** has condensed the 3400 page study to 84. The issue will be free to all new subscribers. New subscriptions are \$6 for one year and \$10 for two years. Direct orders

to the society.

• A full-service self-insurance program for the corporation that self insures, either totally or in part is being offered by Lawson, Stewart & McCarty Inc. **GROUP VII** is a booklet describing the concept of offering a well-managed, flexible and profitable program. Copies of the brochure may be obtained by writing Warwick Feldman, Coordinator, 3807 Wilshire Blvd., Los Angeles, Cal. 90005.

• The Mass Coverages department of Bankers Security life Insurance Society, 1701 Pennsylvania Ave., N. W., Washington, D. C. 20006, is offering a booklet discussing the importance of group ordinary (permanent) life insurance as part of the fringe benefit program and compares it with group term insurance. Also included are cost comparisons for both employer and employee under each plan. For copies of **Group Ordinary**, write the firm.

• A research study by Towers, Perrin, Forster & Crosby Inc. of **Private Pension Practices In Germany** has been published by the company. The report analyzes some 732 companies, representing about 20% of all German companies with more than 500 employees. The survey provides an overall picture of private pension planning in Germany today as well as offering a basis for comparing companies of similar size, business and location. Copies of the complete report, 420 pages, in the German language edition only, are available for \$250. For a free brochure describing the survey and listing some of the results or for more information concerning the survey write Towers, Perrin, Forster & Crosby Three Penn Center, Philadelphia, Pa., 19102.

• The Gypsum Assn. has made available, free of charge single copies of the following brochures describing their products: **Fire-block Gypsumboard**, **The Study and Use of Gypsum**, **Gypsum Association Specifications for the Installation of Screw Type Steel Framing Members to Receive Gypsumboard**, and a complete manual on the handling and application of gypsumboard, **Using Gypsum Board for Walls and Ceilings**. Direct request to David R. Elwing Gypsum Association, 201 N. Wells St. Chicago, Ill. 60606.

• **The Professional Corporation** is a booklet discussing significant tax savings as well as important non-tax advantages that the professional corporation can provide the professional employee. In a concise manner, it describes the various pension, profit sharing and group plans, and compares features of a Keogh Plan and a Qualified Corporate plan in chart form. Direct requests to Advertising and Public Relations Dept., Provident Mutual Life Insurance Co., P. O. Box 7379, Philadelphia, Pa. 19101.

• American Home Assurance Company's **Person Catastrophe Insurance** brochure illustrates the need for personal umbrella coverage for the working man or woman with something to lose. Available to agents, brokers and buyers it also provides a description of the various optional plans available with this program, including major medical. Send re-

quests to the firm at Dept. A-14, 102 Maiden Lane, New York, N.Y. 10005.

• National Union Insurance Co.'s **Hospital Operating Income** brochure describes in detail a new product being offered by the company which combines business interruption insurance with extra expense for hospitals adopting the new chart of accounts procedure. The brochure, to be published February, 1971, explains what the new coverage provides, what underwriting information is needed, and the importance of this product for modern hospitals. It is free to agents, brokers and buyers by writing the firm at 102 Maiden Lane, New York, N.Y. 10005.

• The 1970-71 edition of **Loss Prevention In Print** is available by writing the Director of Publications, Factory Mutual Engineering Corp., P. O. Box 688, Norwood, Mass. 02062. The 28-page illustrated booklet briefly describes all Factory Mutual's

manuals, booklets
handbooks, circulars, posters
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publications and films available at the time of its printing. It is intended as a basic tool for directors of property conservation in getting help in loss-control communications and training. The items included cover a wide range of specific problems.

• Marshall and Stevens Incorporated/Appraisals has made available **What Is Value?** a booklet and film presentation. The question of value is increasingly complex. Actual cash value, fair market value, reproduction cost, original cost, book value and tax basis have distinct connotations. The folder defines each concept of value and its proper use for business purposes. The 25-minute slide presentation defines and illustrates the proper applications of the various kinds of value for business transactions. A representative of your nearest Marshall and Stevens office will make the presentation to your professional or management group upon request. For more information and a copy of the booklet write John Heath, Vice President, 1645 Beverly Blvd., Los Angeles, Calif., 90026.

• An adaption of a speech by Fred Drexler, president of Industrial Indemnity Co. at the 1970 IAIABC convention, **What Is Best For Workmen**, proposes a plan for action to protect and improve the present system of workmen's compensation. The speech is addressed to anyone interested in workmen's compensation, whether they represent labor, employers, the government, or the insurance industry. It deals with the situation today, threats of federalization, Social Security and takes a look at the alternatives. For a copy write the firms' Publications Office, Box 3660, San Francisco, Calif. 94120.

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• **Insurance facts** published annually by the Insurance Information Institute can be ordered free of charge by writing John D. Craigie, 110 William St., New York, N.Y. 10038. The book provides some facts relating to the property and liability insurance business for editors, writers, speakers, teachers, students and insurance people. The book discusses the dimensions of insurance, insurance statistics, facts about losses, and provides a background reference listing state FAIR plans, state regulatory authorities, definitions of insurance terms, and national insurance service organizations.

• A booklet describing a combination of permanent and group life insurance has been released by The Lafayette Life Insurance Co. **Announcing PERMA/TERM Protection** deals with benefits, insurance during disability, options upon termination of insurance, underwriting and installation. For a copy write Steven P. Stucky, Group VP, The Lafayette Life Insurance Co., 2203 South 18th St., Lafayette, Ind. 47902.

• **Group 10/35**, by the Bankers' Life and Casualty Co. explains their complete group insurance product for employers with from ten to 35 employees including possible benefit combinations of accidental death and dismemberment, disability income, medical care, dependent life, and dependent medical care. For a copy of the booklet write Don E. Packard, Bankers Life & Casualty Co., 4444 W. Lawrence Ave., Chicago, Ill. 60630.

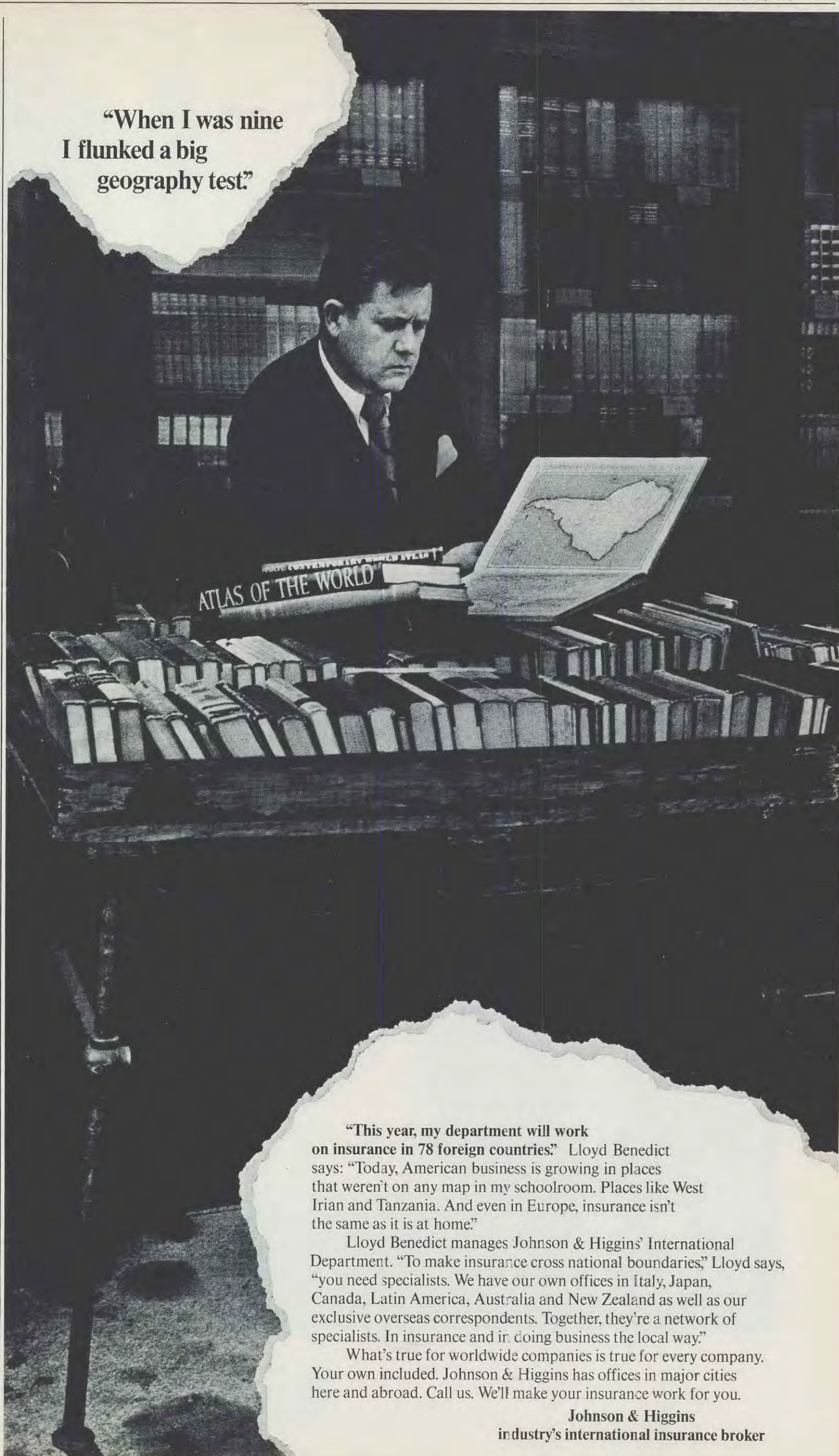
• **Group Benefit Selector** is a concise guide to group insurance programs and benefits offered by Occidental Life Insurance Co. of California. The foldout provides a checklist for group term life, group/ordinary life, group family income, creditors life, accidental death and dismemberment, disability income, basic medical, major medical and dental. For a copy write the firm at Box 2101 Terminal Annex, Los Angeles, Cal. 90054.

• Harlan Inc. has released **We Have People Where You Have People** describing its services which includes all lines of insurance as well as automated employee benefits programs for corporations worldwide. For a copy write Joseph G. McCorkle, VP Production/Marketing Div., Harlan Inc. 500 Jefferson Bldg., Houston, Tex. 77002.

• AFIA has released four videotapes on foreign insurance free of charge on loan by writing Harrington Putnam, AFIA, 110 William St., New York, N.Y. 10038. Each tape is an in depth discussion with a leading expert in foreign insurance covering fire and business interruption, the ABC's of guarantees of overseas-bonding, how a buyer looks at his foreign insurance carrier, and establishing a sound insurance program.

• Security Mutual Insurance Co. of New York has released a brochure describing its safety group concept plus details of individual plans for New York and New Jersey hotels and motels, New York restaurants, and New York tenements. **Safety Group Dividend Plan** provides workmen's compensation and general liability coverage. For a copy of the folder write Marianne Zinkus, Public Relations, 500 Grand Concourse, Bronx, N.Y. 10451.

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I flunked a big
geography test."



"This year, my department will work on insurance in 78 foreign countries," Lloyd Benedict says: "Today, American business is growing in places that weren't on any map in my schoolroom. Places like West Irian and Tanzania. And even in Europe, insurance isn't the same as it is at home."

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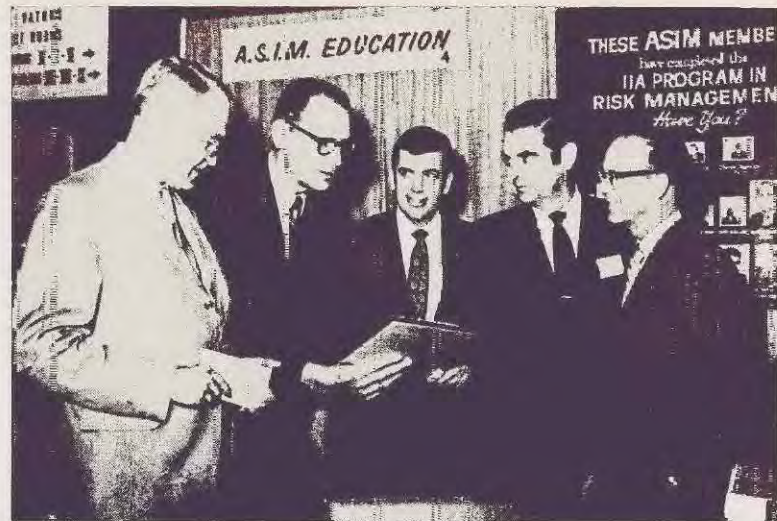
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S. William Glendenning, (second from left) dean of the Insurance Institute of America, shows the new risk management diploma to (from left) Douglas A. Balow, American Society of Insurance Management president; Rollyn L. Storey, ASIM past president; E. William Altshetter, member of the institute's risk management advisory committee; and Ron E. Judd, ASIM's managing director. (See story below.)



New diploma honors risk men

BRYN MAWR, Pa.—The Insurance Institute of America Inc. has authorized graduates of its risk management program to use the wording "Associate in Risk Management—Insurance Institute of America" following their names.

The executive committee of the institute's board of governors permits the use of the wording by all past program graduates and has established similar recognition for graduates of the claims and management programs.

The diploma in risk management has been redesigned to incorporate the graduate's new designation. Previous graduates may obtain information on ordering the diploma by writing the institute at 270 Bryn Mawr Ave., Bryn Mawr, Pa. 19010.

Cline firm on health, safety act

LITTLE ROCK—The first goal of new Arkansas Labor Commissioner Dale Cline is the enforcement of the United States Occupational Health and Safety Act.

Mr. Cline, who took office on April 1, said the Act would "as far as possible" assure "every man and woman in the nation safe and healthful working conditions." He said the new law would help preserve our human resources.

The Arkansas Labor Department currently employs 13 persons and is charged with the duty of enforcing the state minimum wage laws, the prevailing wage statute and wage and hour laws for women.

WITH THE NEW federal law, Mr. Cline said, his department would apply for the contract to be the enforcement agency of Health and Safety Act. The United States Labor Department will enforce the act if the state isn't awarded the responsibility.

Mr. Cline said his department would become eligible for federal matching funds if it gets the contract. He said he would increase the safety inspection staff from nine to 18.

Mr. Cline, 41, worked for American Oil Co. for 17 years and was a temporary representative of the Oil, Chemical and Atomic Workers International.





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Send to: Computer Protection/Insurance Workshop
Business Insurance/COMPUTERWORLD
740 Rush Street, Chicago, Ill. 60611

Please enroll me for the Computer Workshop to be held Monday, June 14, 1971, in Chicago. The advance registration fee of \$90 is a saving of \$15 from the regular price, \$105, if postmarked before June 1. If my plans change and I can't attend, I will get a complete refund (less \$15) by notifying you before June 14.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Note: The fee for additional registrants from the same company is only \$75 each when accompanying first registration.

5-24

'Faculty,' registrants ready for computer protection workshop

CHICAGO—Eleven "faculty" members are ready for the *Business Insurance-Computerworld* workshop on computer loss prevention and insurance to be held here on Monday, June 14.

The faculty members will conduct the one-day workshop in the Pick-Congress hotel for corporate executives and risk managers, data processing unit supervisors, insurance executives and others interested in the protection of computers and corporate assets.

Registrants from 22 states and the District of Columbia as well as from two Canadian provinces have enrolled in the workshop. All of them will participate in the program by asking questions, posing problems and commenting

on their own experiences in protecting computer facilities.

SECURITY FOR computers will be covered by Melvin Bockelman, data processing manager, Kansas City Police Department; Karl W. Fruecht, corporate vp, Household Finance Co.; Louis Scoma Jr., president of Data Processing Security Inc., and Michael Verbick, manager of data processing, Playboy Clubs International.

FIRE PROTECTION for computers will be discussed by a panel composed of Warren G. Brockmeier, director-western region risk management department, Ebasco Services Inc.; Rolf H. Jen-

sen, chairman and professor, fire protection engineering department, Illinois Institute of Technology, and Fred Zeleny, chief engineer, western regional office, Factory Insurance Assn.

WELFARE OF computer room workers will be reviewed by Herbert T. Walworth, manager, special technical services section, Kemper Insurance Cos., and Dr. Robert Wiper, behavioral psychologist.

INSURANCE for computer facilities will be covered by Gordon M. Paine, assistant secretary, St. Paul Fire and Marine Insurance Co., an authority on property insurance, and Robert J. Dolan, vp of Rollins Burdick Hunter Co., a broker who obtains liability insurance coverage for computer users.

MODERATORS at the workshop will be Richard C. Bjorklund, editor of *Business Insurance*, and Thomas J. Morton, Midwest bureau chief of *Computerworld*.

On Tuesday, June 15, the day following the workshop, registrants will be welcome to tour the data processing facilities of Playboy Clubs International. Additional Chicago-area computer facilities are also expected to be open for tours by workshop participants.

The registration fee for those who enroll before June 1 is \$90, a saving of \$15 from the regular workshop fee of \$105. This fee includes admission to all sessions, a continental breakfast, two coffee breaks, lunch and a complete workshop notebook.

Companies may enroll additional personnel for only \$75 each when the registrations accompany the first registration form before June 1.

Register now by completing the form on this page. Return it with the low-cost advance registration fee to assure yourself of a reservation.

No-fault is introduced in Wisconsin

MADISON, Wis.—A no-fault auto insurance plan was included in a bill submitted to the state assembly here by Edward Nager, Madison Democratic representative, and six others.

The no-fault provisions are similar to those suggested by the American Insurance Assn., Mr. Nager said, and would require that all Wisconsin automobile owners obtain insurance on their vehicles and that persons injured in auto accidents be paid damages promptly by the insured's company, regardless of fault.

Other provisions include no ceiling on the total amount of recovery, immunity from court suits, repeal of the financial responsibility laws and an effective date of July 1, 1972.

James acquisition

Vaughn & Blake Inc., seven-year-old San Francisco general insurance brokerage with annual volume of \$600,000, has been acquired by Fred S. James Co., Chicago.



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High school abandons high-priced theft cover

WINDSOR, Conn.—Complete theft insurance for Windsor High School has been dropped because premiums are too high, school business administrator John Leith has disclosed. As a result, the schools in this Hartford suburb are not completely covered and have not been compensated for the last three thefts.

Police Chief Julian Darman said he believed the thefts could be traced to young drug addicts who returned to familiar surroundings to support their habit.

Travelers Insurance Cos. of Hartford denied the claim, contending that the policy in effect covered burglaries, not thefts. Travelers said it defined burglary as an act in which the exterior of the building is marked with evidence of forcible entry.

AFTER THE LAST incident, Windsor police discovered that the door to the classroom from which \$3,000 worth of business machines had been taken was smashed, but no evidence could be found on the building's exterior.

The losses from earlier thefts were made up by the Travelers.

A Travelers spokesman added

Guaranty seal users look safe

NEW YORK—Speculation about an increase of lawsuits bringing publishers with guaranty seals into complaints against allegedly defective products has diminished somewhat following a California jury's decision in favor of Good Housekeeping.

The jury, comprised of seven women and five men, decided unanimously for Good Housekeeping regarding a complaint that it failed to conduct investigations or conducted them negligently on a GH-seal product alleged to be defective. The jury returned its decision in state superior court in Santa Ana, but the ruling was unpublicized at that time.

Good Housekeeping thus is no longer a defendant in a suit filed in 1969 by Zayda Hanberry, who claimed that a pair of shoes advertised with Good Housekeeping's seal were defective and caused her to slip and fall and sustain injury. At that time the California court of appeals caused speculation about future complaints against publishers awarding seals when it ruled that Good Housekeeping could be included in Mrs. Hanberry's complaint along with the shoe manufacturer, Victor B. Handal & Bros., Los Angeles, but no flood of complaints has materialized.

The appeals court's ruling was "a bit of a landmark," said a Hearst legal officer, "but there hasn't been any increase in cases" involving the Good Housekeeping seal.

Simmons' contract

An eleventh holiday and additional health and welfare benefits were won by Local 209 of the International Assn. of Machinists in a contract with the Simmons Co., Munster, Ind. Health and welfare contributions by the company were increased to 6% the first year, 6% the second year and 7% the third year, based on an employees' gross earnings.

that he could not estimate complete theft coverage cost for a school system such as Windsor's without the specifics of the coverage sought. Rates, he said, would then depend on frequency of loss, size of system and availability of physical protection.

David Curley, a member of the town insurance commission (which purchases school board coverage), commented that his commission buys just what the school board asks for.

Both Mr. Leith and Chief Darman agreed that the frequency of theft and vandalism had increased in recent years. Window replacements alone will cost several thousand dollars, according to Mr. Leith.

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New Delta benefits plan increases by 50%

ATLANTA—Delta Air Lines likes to think it has learned one thing in the years it has been winging around the country: It takes people to run an airline, and the happier the people the smoother the running.

In some sweeping—and rather expensive—moves, Delta has recently added even more lubricants to its people machinery. The company has increased and rearranged survivor benefits, disability benefits, retirement benefits and death benefits, and has added a new widow's benefit and a payroll savings plan. All, with the exception of the latter, are completely financed by the company. Delta officials estimate the improvements and additions will add "another 50%" to its annual employee benefits bill.

Delta, of course, has learned

more than one thing since it began flying passengers in and out of this and other cities 30 or so years ago, for you don't run a profitable airline these days by sitting on your hands. But the people thing, as a visit with company executives indicated, is a most important part of the Delta operating philosophy.

IF AN EMPLOYER—employee motto were to be written on walls at the company's headquarters here it would probably go something like this: "The employer who treats his employees paternally holds on to them eternally, evokes loyalty and increases productivity." This might be a little too folksy for people at the "Big Five" U.S. carriers (and, indeed, a bit too expensive in today's economy), but Delta executives

don't blush when their philosophy is described as such.

The new benefits program is described by Charles H. Dolson, chairman of the board and chief executive officer, as "a blockbuster, a new concept in employee benefits." The idea behind the changes, he adds, is "to provide more adequately for the current protection and future security of all Delta employees and dependents, by relating benefits more closely to family need."

Income continuance benefits under the plan, for example, have been keyed to family size, with a single employee receiving 50% of salary, a man and wife 60% and a man, wife and one or more children receiving 70%. The concept, while much talked about by benefits men these days, is believed to be unique to Delta, or at

least to employers as large as the airline.

In interviews here the plan was described in detail to *Business Insurance* (see page 24) by the three executives who spent more than a year pulling the program together with brokers, actuaries and insurers. The trio are James A. York, assistant vp; James Howell, assistant treasurer; and William E. Stephens, manager of payroll.

BROKER ON THE business was Alexander & Alexander. Hazelhurst Associates, Atlanta actuaries and consultants, did some of the actuarial work. Aetna Life & Casualty, Delta's insurer for almost 30 years, covers the medical, dental and life insurance portions of the program. The airline self-insures survivor income, disability

and retirement benefits under trusteeships.

According to Mr. Stephens, the new program will cover all non-pilot personnel. The airline currently has 20,500 on its payroll and approximately 10% of these are pilots. Pilots' benefits are worked out under agreement among airlines and pilots' professional association.

Last month, the company conducted an ambitious educational program for management personnel prior to communicating the program to employees.

A slide program was worked out and on a Monday and Tuesday the airline flew in 53 staff employees from throughout the system and gave them an extensive training program. On Wednesday 275 management people were flown in for a presentation and skill session. An equal number was brought to Atlanta the following day. The 53 staff people, called "instructors" after their week-long indoctrination, conducted smaller meetings for employees in the field the following week.

THE NEW BENEFITS, according to Mr. Stephens, were not developed or given in lieu of anything. Normal salary increases have and will continue, he said.

"We were concerned for our folks," he said of the revisions. "Our employees have certain needs to be filled and we developed the program with these in mind. It's just like auto and homeowners—and we've also gotten into these," he said of the new benefits, "against the advice of a lot of

Continued on page 24

Delta called family affair

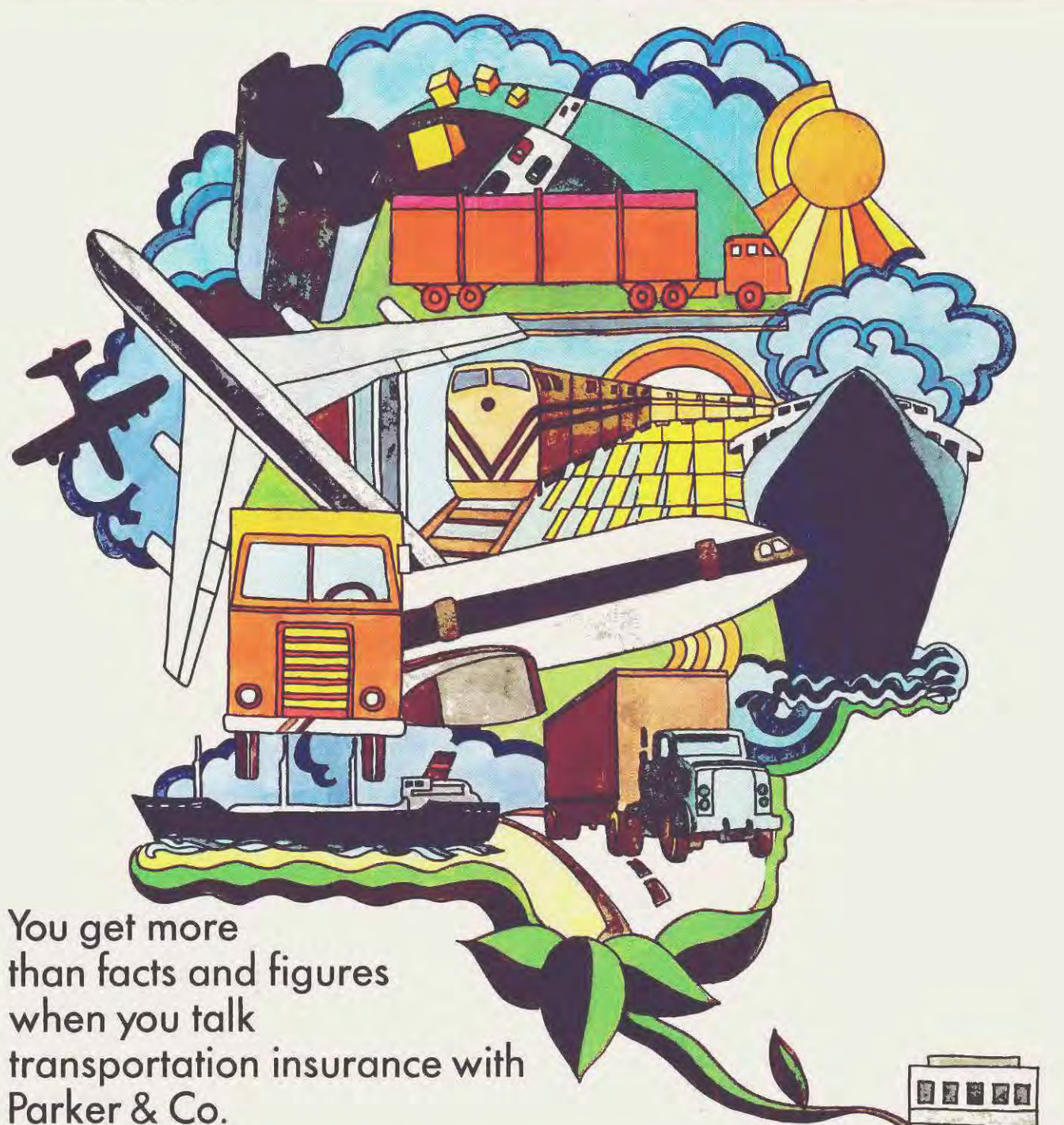
ATLANTA—Among airline observers, Delta has the reputation of being a tightly knit family of employees who would work weekends without pay if the line were ever plagued by financial problems such as those now facing some air passenger carriers.

W. Thomas Beebe, president, unblushingly calls the employee force of 20,500 "the most loyal and dedicated group of employees anywhere."

On a recent flight here from New York, *Business Insurance* asked a Delta stewardess if she agreed. "Definitely," replied Kay Holloway, who has flown for Delta four years. "It's really a great company to work for. Of course," she added, admitting that there's not an employee anywhere who doesn't occasionally have a gripe, "sometimes we may knock it among ourselves. But don't let anyone else say something bad about Delta."

Asked what she thought about the new benefits package (she hadn't yet seen the presentation given to all Delta employees), Miss Holloway said: "I think it's great. My husband (a graduate student in sociology) has some dental work to be done and they're paying for it."

The dental plan, company executives say, has evoked the most positive response from employees. And, they admit, the most negative comments as well. "It doesn't cover cosmetic work and, of course, when you offer your employees dental coverage the first thing that comes to their mind is that they can now get a new face," one company spokesman said. Even at Delta, he added humorously, "there are some things you have to live with."



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opinions

An uneven contest

ADVOCATES OF PRIVATE pension reform have already introduced nearly a dozen bills in the 92d Congress, and there is considerable evidence that a bipartisan effort will be made to adopt a measure that will set standards for fiduciary responsibility and disclosure, vesting, funding, termination insurance and portability.

Sen. Jacob K. Javits (R.—N.Y.), a vocal advocate of pension reform, appeared before a House subcommittee last month and pointed up the similarities between his reform proposals and those of Rep. John H. Dent (D.—Pa.). Meanwhile, Sen. Javits' reform proposal was introduced in the House by New Jersey Democratic Rep. Henry Helstoski.

These evidences of bipartisan support for federal regulation of the private pension system indicate that the contest between Congressional reform advocates and the operators of pension funds is becoming increasingly uneven.

Unlike the insurance industry, which has long been organized to manage legislation, the private pension system has scant weapons at its command. The Assn. of Private Pension and Welfare Plans operates as a lookout post in Washington, but it has none of the public relations or lobbying weaponry that is in the arsenal of the insurance industry.

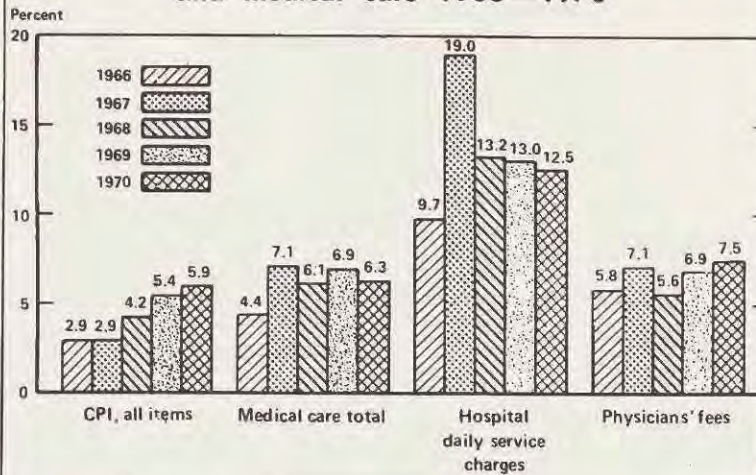
On page 20 of this issue of *Business Insurance* there is a report of a meeting of private pension advocates in Chicago at which several experts on various aspects of pension reform legislation offered opinions (mostly negative) of the proposals made by Sen. Javits, Rep. Dent and others. To bolster their meeting, the friends of private pension plans had on hand Rep. John Erlenborn, a relatively new Republican lawmaker from Illinois, who told those assembled that they ought to make their voices heard in Congress. That's good advice, but hardly something that you'd think the pension fund advocates would have to be told, especially since they have been confronted with pension reform legislation for a number of years.

Most of the public relations ammunition the pension fund managers have used has been termed inaccurate and self-serving by Sen. Javits, who has developed statistics that he says prove that too many millions of workers "pass through" pension plans without ever gaining any benefits. The latest answer of the private pension fund people was a study of clients of A. S. Hansen Inc., which found that 65% of present plan participants can expect to receive some benefits.

Critics of private pension plans scoff at the Hansen study claiming that Hansen's clients are not typical of other private pension plans since pension consultants of the Hansen firm's stature encourage their clients to adopt vesting provisions that protect participants' rights. The pension fund critics also say that the 65% figure does not reflect the number of people who have "passed through" the plan, earning some pension credits but never receiving pension benefits.

One weakness of the private pension fund's side in this controversy is that its salvos have been fired mostly by pension fund consultants, including A. S. Hansen and the Wyatt Co., which has named one of its

Average increases in consumer price index and medical care 1966—1970



Although the rate of increase in the medical care total price index was lower in 1970 than in 1969, it still outstripped the Consumer Price Index all-items increase. Hospital daily service charges increased slightly less in 1970 than 1969 but were escalating twice as fast as the Consumer Price Index, and physicians' fees in 1970 continued their steady increase to reach a five-year percentage high.

Source: Consumer Price Index, Bureau of Labor Statistics

senior executives a "roving ambassador" to counter criticisms of private pension funds. Sen. Javits, for one, is quick to point out that most of the opposition to his proposals has come from pension fund consultants who represent, to him, "selfish interests."

This great debate over private pension fund regulation will continue to be an uneven contest as long as pension fund administrators and others in corporate management sit back and let their consultants carry the ball. It's time for them to speak up for a system that has grown rapidly into a \$130 billion enterprise serving millions of potential retirees.

Defending the private pension system today is no easy job; it is one that requires the best efforts of those involved in administering the huge system. Not only are private pension funds being criticized in Washington by Congressional reform advocates, but hordes of young workers now say that they are "turned off" by the prospect of pension benefits. They want their earnings in the pay envelope and let tomorrow take care of itself. But if they must take pension benefits, the young people say, they at least want them to be portable so that pension rights will not cut their mobility.

It's time for pension fund advocates to speak up with some language that makes the kind of sense that the articulate Sen. Javits has introduced into his criticism. Actuarial gobbledeygook doesn't do much to answer the horror stories of lost pension rights that pension fund critics recite repeatedly.

A cogent point

ON APRIL 26 we editorialized against a proposal by the National Assn. of Mutual Insurance Agents that Congress make personal auto insurance premiums tax deductible. Among other points, we said that there are many more "socially useful" expenditures that deserve deductibility before auto insurance premiums.

Now comes James S. Kemper Jr., president of the principal companies in the Kemper Insurance Group, who told the Senate commerce committee that he favors allowing all auto owners to deduct, for example, one-half of automobile insurance premiums (but not more than \$100 per year) from their gross income in computing federal income tax.

"This would produce a benefit for all automobile-owning taxpayers who are not eligible to come under a group plan," Mr. Kemper argued. "It would place a ceiling limiting the loss of tax income of the federal government, and at the same time provide financial assistance to the lowest income automobile owner. It would benefit the four-fifths of our auto owners who, according to our estimates, will never qualify for the group tax deduction."

Then Mr. Kemper asked, "Is it fair to enable members of unions who have collective bargaining power to get a deduction through a tax break, while denying an equivalent privilege to the vast majority who will never qualify for such a program?" Answering his own query, he said, "I think not."

No, Mr. Kemper, we don't think that a tax break for union members is fair, but we can't see why a requested tax subsidy for group auto insurance is an excuse to endorse across-the-board deductibility for auto insurance premiums, or even part of them.

It might be said that making auto insurance premiums deductible would charge to the government a certain percentage of the cost of our carnage on the highways. In his testimony, Mr. Kemper tacitly acknowledged this problem by saying that "the exact form of such tax deduction needs careful study." Some forms of auto insurance tax deduction might even subsidize bad drivers.

Mr. Kemper makes a cogent point when he argues that all auto owners should enjoy the same tax deduction rights, but we think the easiest solution is to forget preferential tax treatment for anyone's insurance premiums.

letters

(This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611.)

Tax proposal

To the Editor: As an insurance agent who believes himself reasonably enlightened and who attempts to conduct his business in a professional manner, I must take issue with your April 26 editorial, "Agents to the rescue," lampooning the recent suggestion by the National Association of Mutual Insurance Agents that automobile insurance premium be tax deductible.

I happen to disagree with the proposal; however, your method of disapproval helps only to irritate an already sore spot. The relative merits of the proposal did not prompt this letter.

In identifying some of the causes of high automobile insurance costs, you place emphasis on administrative costs, attorney's fees and agent's commissions. It is a matter of record, I believe, that the great majority of companies have reduced their expense ratios over the years and are constantly attempting to streamline their operations in hopes of further reductions. As for "agent's commissions, which have increased with the inflationary spiral," your statistics serve you well. It is true that 10% of a \$400 premium produces greater agency income than 25% of a \$100 policy. But I suggest that most agents and the general public long for the society in which the lower premium applied.

By the way, the average insured receives one devil of a lot more service today than he did 20 years ago. Although his policy may not be delivered personally by the agent, the behind-the-scenes efforts of agent and company alike to deliver and service a reasonable product make the mid-1950's seem an agent's holiday by comparison.

Thomas Craig Watson Jr.

Watson Insurance Agency Inc., Gastonia, N. C.

No-fault in general

To the Editor: Many articles, pro and con, have been written about the automobile no-fault concept, but I wish someone would do a piece on the no-fault concept in general.

By what reasoning should the plethora of proposals be limited to indemnification for accidents arising out of the operation of a motor vehicle? True—55,000 persons were killed last year; but the National Commission on Product Safety estimates 30,000 persons are killed annually in and around the home, largely because of alleged product failures or defects.

One reason advanced for no-fault is to avoid the delays of litigation in our congested courts. Yet, it is estimated that product liability suits are being filed at the rate of 500,000 annually.

And what about the surge of medical malpractice suits or claims against architects and engineers? In these fields the market is even tighter than automobile liability.

Where do we draw the line in the no-fault philosophy? I would like to read a discussion of this question.

Russell H. Miles

Bennett & Edwards Agency Inc., Kingsport, Tenn.

Editor's note: A discussion of Continued on page 30

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Administration may ask '50-point' full vesting

CHICAGO—Proponents of private pension funds gathered here for a legislative conference heard a prediction that the Nixon Administration may sponsor a pension reform bill that would require full vesting when a worker has accumulated "50 points."

Frank Griffin, vp and actuary of the Wyatt Co., explained that the 50-point system of vesting pension rights means that the worker's age plus his years of service must total 50. Such plans typically have a provision that at least three points must be years of service to prevent immediate vesting for those who are hired after they reach 47 years old.

"We believe that 50 or 55 points is a reasonable level," Mr. Griffin said, "and we think that the Administration will support a permissible waiting period of three

years for pension rights to accrue." Sen. Jacob Javits (R.—N.Y.), a vocal critic of private pension fund practices, urges that waiting periods be limited to six months.

Another spokesman termed as "the most radical and controversial" the proposals for funding and federal government reinsurance for private pension plans.

"They (Javits and others) demand not only full funding for delinquent contributions, but for all pension obligations," said Willard Berger, vp of Marsh & McLennan. "We discard mandatory funding requirements on practical grounds. The Internal Revenue Service has standards and the accounting profession has standards."

"The basis for financing benefits should be left to private pen-

sion plans."

George Long, partner in Hewitt Associates, said that private pension funds should be wary of the Javits proposal to provide 10% a year vesting after five years and 100% vesting for those with more than 15 years of service.

"The question this proposal brings us is the cost of vesting," Mr. Long declared, "and we calculate that 100% vesting after 10 years adds 15% to the cost of a pension plan. Ten percent vesting year by year adds 20% to the cost of a plan."

"THIS MEANS that the employer has the choice of reducing benefits or increasing pension fund costs. What the legislators are trying to do is regulate social behavior, which cannot be done. We endorse legislation against

fraud in pension fund operations, but not the proposals to legislate social behavior."

Robert Thonander, vp of A. S. Hansen Inc., said that proposals for federal standards for fiduciary responsibility introduce the concept of the "prudent man rule" for administrators and trustees. "This," he predicted, "could lead to confusion. Our aim should be to get the Labor department, the Internal Revenue Service and the Treasury department together to eliminate overlapping regulations that increase the cost of operating pension funds."

The meeting, sponsored by the Assn. of Private Pension and Welfare Plans Inc., also included comments from Rep. John Erlenborn (R.—Ill.), introduced as "the most effective voice in Congress for private pension plans."

The Congressman acknowledged that "there is more interest this year in pension fund legislation than in the past, and some advocates of pension reform have now added substantive regulations to their housekeeping proposals of the past."

"I'M AFRAID that reformers are moving too fast," he warned, "and that's why your reaction is important. Make your voice heard."

Observers of efforts to impose federal pension fund regulation said that they detect a movement in Congress to develop a bipartisan approach under which Republicans and Democrats in both houses of Congress agree upon one reform measure from the 10 now pending. An indication of this came, they said, when New Jersey Democratic Rep. Henry Helstoski introduced a copy of Sen. Javits reform bill in the House.

Those who heard Sen. Javits testify before a House committee on April 28 noted that the fiery legislator appeared to be in a "conciliatory mood," indicated by his willingness to get together on a bipartisan plan with Rep. John H. Dent (D.—Pa.), chief House advocate of private pension regulation.

Levi's gets risk and security men

SAN FRANCISCO—Bob Milligan and Eugene F. McCarthy have joined Levi Strauss & Co. here in new positions.

Mr. Milligan, who has had 13 years' experience in the insurance business, is the company's new risk manager. He was previously an insurance representative for Kaiser Aluminum and is a member of the American Society of Insurance Management.

Mr. McCarthy, the new director of corporate security, was a special investigator for Aamco Industries and has served with the Federal Bureau of Investigation, the National Security Agency, the Central Intelligence Agency and the army as a special agent. He is a member of the American Society of Industrial Security Chief Special Agents and the International Assn. of Chiefs of Police.

Pollution law backlash

JACKSONVILLE, Fla.—Florida's attorney general has charged that insurance companies and shippers around the world are conspiring to boycott the state's ports because they are protected by a rigid new anti-spill law.

Robert Shevin has filed an antitrust suit here against 16 shipping and insurance firms, both American and foreign. Acting in behalf of the Florida cabinet and department of natural resources, he asked a three-judge federal panel to award triple damages to the state and to enjoin the shippers permanently from continuing the claimed boycott.

He said the firms named as defendants are either boycotting state seaports or refusing to insure ships that do business in the state. The suit said the boycott has forced more expensive overland shipping by Florida exporters and loss of port fees.



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Do Delta's dependents' benefits end need for individual coverage?

ATLANTA—Delta Air Lines' package of benefits, one insurance man remarked privately here, makes it "practically unnecessary" for a Delta employee to purchase individual life insurance. His company's individual life sales force would run him out of town without a policy if it heard him say it, he said.

While that comment is based on the assumption "once a Delta employee always a Delta employee," it does sum up well the way Delta has taken care of the financial security needs of an employee and his dependents. A rundown of them follows:

SURVIVOR BENEFIT: The Delta plan pays 50%, 60% or 70%

of average earnings, depending on whether there are one, two or three or more survivors. Benefits are reduced for projected years of service less than 30, but do not exceed 50% on the date when the employee would have reached 65.

The benefit is offset 100% by Social Security benefits and average earnings are based on W-2 earnings for the 12 months prior to death. They include overtime, but exclude executive compensation.

Benefits continue to the widow as long as she does not remarry and children are eligible until age 19, or 23 if they stay in school.

DISABILITY BENEFIT: The same 50%, 60% and 70% figures

apply, with the exception that these may not exceed 60% when an employee reaches 65. This benefit is also offset by 100% of Social Security.

DEATH BENEFIT: Life insurance under the former program was computed on a sliding scale, with amounts based on salary and number of dependents at the time of death. The formula has been changed somewhat, although in no case are lump sum death benefits lower than they were.

The benefits, however, are reduced proportionately if years of service to age 65 would project to less than 30 years. Benefits are also reduced 10% per year beginning at age 57, to 10% of the

formula amounts from age 65 on. Prior to the new plan retirees received a lump sum of \$1,500.

MEDICAL COVERAGE: Delta now provides for 80% of semi-private accommodations, not just 80% of the average semi-private rate in the area as before. In addition, the company continues paying for family medical coverage during disability, retirement or survivorship or death. A student dependent also retains medical coverage for up to 90 days after his last school term ends.

Under the old Delta benefit plan, mental and nervous care benefits were limited to 10 a year, with \$20 considered the reasonable fee. Total recovery per year was limited to \$500. Limits have been removed under the new plan and the company now reimburses 80% of all in-patient expense and 50% of all out-patient expense and 50% of all out-patient care after the regular medi-

cal deductible of \$50 has been satisfied.

Under the dental plan, Delta pays 80% of reasonable and necessary dental expenses, to a maximum of \$500 per year each for an employee and his dependents. There is a separate \$50 deductible during any 60-day period, however, and orthodontics and cosmetic treatment is excluded except in connection with corrective work following an accident.

RETIREMENT PLAN: The new plan has been modernized in two ways. First, benefits will now be based on final-average earnings (instead of average earnings while at Delta) and full service benefits are earned after 30 years instead of 40 as before. Employees are vested at age 35 with 10 years of service.

The retirement benefit is 60% of final average W-2 earnings (highest consecutive 60 months of earnings in last 10 years of active service). Benefits are reduced by 50% of family Social Security.

The new widow's benefit attached to the retirement plan provides an automatic widow's benefit for life. The 60% is reduced to 50% and Social Security is integrated by 100% under that benefit, however.

Under an early retirement option there is a reduction of normal retirement benefit and widow's benefit by .25% for each month of early retirement (3% per year), with the Social Security offset actuarially reduced.

The new pension benefits, including widow's benefit plus comprehensive medical benefits coordinated with Medicare, were also extended to present retirees living on Feb. 1.

SAVINGS PLAN: Full-time non-pilot employees over the age of 25 and with two years of service are eligible. Contributions may range from 1% to 10% of W-2 earnings, with Delta contributing 25 cents for every employee dollar, up to maximum employee contribution of 4%. The Delta contributions become the employee's after they are left in the plan two years.

The employee may invest in a commingled bond fund, a commingled stock fund or Delta stock. There is the usual 33% limit on the latter, however. A combination investment is also allowed.

The investment portfolio for Delta stock will be run by a money management firm and trustee by an Atlanta bank. The fund is being started with \$3.5 million from Delta's former pension fund, which was contributory. Prior contributions will be credited to new savings accounts.

Delta . . .

Continued from page 16 people."

Three years ago Delta was one of the first large U.S. employers to offer employees auto, homeowner and other personal line coverages on a payroll deduction basis. That program, Mr. Stephens said, has developed nicely. At the moment, the company has 56% participation in the plans and generates about \$3 million in premiums for the insurer, Chubb & Son. Parker & Co. is the broker.

The airline, Mr. Stephens added, is shooting for 85% participation by the end of this year. "Premiums will amount to about \$5 million when that goal is hit," he said, adding somewhat casually, "Who knows, the day might not be far off when companies like ours might be able to self-insure these things. If and when that comes we'll be ready for it. We'll have the experience to tell at a glance if this would be economically feasible."



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Manager data processing, Playboy Clubs International, on security and protection for computer records.

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Manager, special technical services section, Kemper Insurance Cos., on protecting computer room employees.

Dr. Robert Wiper

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NOTE:

The registration fee includes a continental breakfast, two coffee breaks, full lunch and a special workshop notebook.

☐ Check here if you want the Pick Congress Hotel to send you room information.



The Inside Story of business losses

Stories like these are common:

- When the treasurer of a large company died, a CPA was employed as a temporary substitute. The CPA found that the late treasurer had bought—and cashed—\$200,000 in travelers checks which allegedly went to salesmen.
- The custodian of a company's signature plate for checks delegated the responsibility for use to his secretary. Her husband benefited to the tune of a tavern, a panel truck, and a set of golf clubs. Loss: \$30,000.
- A dozen employees in a chicken processing plant made off with 168,000 pounds of frozen chickens—as costly to the plant as cold cash.

More facts: One-third of all business bankruptcies involve employee dishonesty . . . Theft of merchandise is 7 times greater than theft of cash . . . Only about one out of 16 dishonesty losses is covered by insurance (burglary hazards are recognized—"inside job" possibilities overlooked).

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business insurance/perspective

Where to go for the information you need—and then how to get it

by Charles F. Levinson,
Director of Insurance,
United Brands Co.,
New York, N. Y.



Charles F. Levinson

More often than not the insurance buyer is the last man to know of major changes in his company operations. Acquisitions and large construction projects are often signed, sealed and delivered before suggestions that might involve great financial savings or even cast grave doubts on the wisdom of the project can be put before management. This does not only

'To most of us nothing comes easily and what we get comes the dull, plodding, hard way.'

happen to the part-time buyer but also to the large corporate buyers with full time staffs. Recently one large buyer admitted to me that a fairly large acquisition of his firm came to him from reading the New York Times.

While sometimes advance knowledge means very little from a practical viewpoint, there is still that not-to-seldom incident in which you can do your job as a true risk manager instead of trying to do too little too late.

We all are familiar with what exposure to the new problems involved can accomplish. Hidden liabilities in an acquisition of unfunded pensions and retired life insurance should be called to the attention of management when they have been overlooked. Vital coverage may be missing on the operation taken over and either placed or management made aware that this exposure has been assumed by them. On newly planned construction perhaps a look at the plans by your fire carrier before the contracts are let may save large sums in the future pricing of the cost of coverage with minimal change in your plans. In the

present marketplace for insurance it may mean the difference in whether you can buy coverage or not.

PERHAPS YOU'RE INFORMED promptly on the catastrophic incidents that involve insurance but perhaps not on the lesser incidents that you need to act on until long after they occur. Maybe the labor negotiator with a union overlooks having you elevate some benefit such as dental insurance before he agrees to trade an hourly increase for this benefit. Perhaps employees are consistently having trouble gaining hospital admittance with their current identification cards for hospital insurance.

How do you get information of this type so you can do a better job? The first thing is to realize that someone in your organization has the information. The problem is to get him to start thinking of you automatically when something of importance happens. One way is to stop hiding what you do or can do particularly in the area in which he is involved. Yes, I realize that in a large merger secrecy may force management to limit the people involved but

insurance consideration is almost as important if not an integral part of the financing, legal and tax work so essential for final management consideration.

Where do we start? The best place of course would be to be included in the top management team that is involved in considering important business of all kinds for your firm. In the smaller firms where only part of your responsibility may be insurance your other duties such as an attorney or a finance officer may automatically put you in this position. Often, if you report to a key official and have sold him on what you can do, through him the necessary information can be developed. However, to most of us nothing comes easily and what we get comes the dull plodding hard way. In addition to our boss we must establish other centers of influence and information. You have all heard the expression, "it's not what you know but who you know." The best insurance technician living in a vacuum is of no value to a corporation. There seems to be four major areas of influence for the insurance manager to cultivate.

- The legal entity in your firm who examines or prepares all documents involving any contract and agreement. Pave the way for their letting you get involved in what they do by getting them involved in

Continued on following page

Education must be more relevant to complement the short workweek

by Bion H. Francis,
Manager of Benefits Planning,
Colt Industries, New York, N. Y.



Bion H. Francis

This is the seventh of a series of eight thoughtful columns by Bion Francis on the subject of retirement, which he dissects into a series of provocative questions for the employee, the employer, society and most of all, for those responsible for planning employee benefits programs and compensation schedules.

'Moonlighting would seem to be encouraged if we arrive at a workweek of three days.'

Go to school all my life? You're crazy! Who's going to make me?

No one. If you don't want to stay in school, there's no point in trying to make you. It is possible to have truant officers for children, but this would be impossible for the entire adult population of a great nation. We have always had dropouts and we always will. People should stay in school only because they can see the value and relevance of the education they are receiving and what it is doing to prepare them to meet the rapidly increasing requirements of the world around us.

So the education available must have value and must be relevant—which is not always true of what we give the youngsters during the period of idleness that we require of teenagers. But this does not mean the same program for all. A civilization as rich, complex and varied as the one in which we live needs many kinds of education for work and living. Consider some of these possibilities:

Dropouts

There are dropouts who have gone on

to found large companies or to acquire fame in some field of endeavor. No civilization can afford to crush the maverick who does not fit into the system. He is precisely the kind of man who may be responsible in part for the drive and flexibility of our civilization. Some may fail, but all things require a price.

Workers

We have "moonlighters" now and we will probably continue to have them. In fact this would seem to be encouraged if we arrive at a workweek of three days. It would be possible to obtain two three-day-a-week jobs and double your income.

But if we have only 3 million factory workers in the U.S. in the year 2000, there simply won't be enough work of this type to go around. According to one authority "Moonlighting will become as socially unacceptable as bigamy." (Spencer J. Hayden, Management Review, Nov. 1967.)

Even more important, failure to continue school will mean that workers will not keep up with the exploding world of knowledge. The eventual effect of two

jobs could be loss of income and early retirement, as the worker's ability dropped behind.

Professional Men

There are some professions, such as medicine, that would necessarily impose their own educational requirements on their preparation for life. But even—or especially—these professions will find it necessary to keep up with the developments of their professions. They may even find it necessary to increase the proportion activity they use to keep up with the world and its changes.

Para-professional workers

The U.S. has an enormous and complicated social and industrial organization that requires the ability and talent of millions of workers. Our school system puts its emphasis on the proper training of children who are going on to college.

But we need millions of people with the skills needed to operate health activities, day care centers and computers; we need skilled tradesmen and people qualified to perform the many thousands of activities that make up a modern complex society. Where will we get these skilled workers? In general, our schools are oriented toward college degrees. For the youngsters who go on to receive these degrees our

Continued on following page

Where...

Continued from preceding page

your work. Have them examine all your policies and letter agreements both so they know corporate coverage and also that they confirm that in their opinion you have what you think you have. Insist that they contact you specifically for insurance provisions in contracts you give to others instead of giving them blanket limits to use in all contracts. Alert them to potential lawsuits particularly in demands of liability.

- **Financial area.** Your problem of course here is solved if your boss is on the inside and is using your abilities. However, it may be that he also is second team and may know less than you. In that case you may have to prod him to keep in touch with the chief financial executive or bypass him where the situation warrants this. Financial departments have many reports that are routinely made and that the insurance manager should receive. Long-range forecasts of revenue and expenses, and capital and operational budgets are almost necessities for the proper checking of the adequacies of existing coverage and implementation of necessary

increases. Cash flow records and audit reports are only a few of the many papers the insurance manager needs to do his job. There is no need to be a CPA to interpret these records and don't be afraid to question anything you don't understand.

- **The engineering division of your operation.** Here is where close liaison with either your own engineering people or engineering consultant where used will keep your fire carrier happy. Engineering

probably is the most difficult area of obtaining cooperation so that the corporation can get the most for the money it spends on insured employee benefits. Traditionally the insurance buyer and the personnel director have both, on meeting, said to themselves, "Well here is that empire builder again." Actually there should be no conflict since each one has his own responsibility which should not conflict with the other. Briefly the personnel de-

'Financial departments have many reports that are routinely made and that the insurance manager should receive.'

plans for major construction or alterations are changed and rechanged many times before contracts are let. Your selling job is to convince your people that it is to their advantage to pass the preliminary plans through the hands of the insurance carrier's engineering department. Valuation information also is available from this source. Often products liability problems are made simple by bringing together the insurance carrier people and your engineering staff.

- **The personnel department.** Here

partment deals with the employee and the insurance manager with the insurance carrier. This means that administration and final choice of plan lies with personnel while choice of carrier and rate negotiations rests with the insurance manager. Ordinary claims handling should be by the personnel department with any reoccurring claims delays or difficulties jointly handled by the two units as an entity with the broker or insurer.

I believe that negotiation with the carriers on employee benefits insured plans is

the insurance buyer's function because he is a buyer of insurance. He knows the markets and usually works with the expert advice of his broker. Personnel normally buys in no other areas and normally has no access to a broad market. An important assist to the personnel manager can be given by the insurance manager in suggesting various alternative employee benefit insured plans when there is strong evidence such a type plan would have to be instituted. Aid in pricing ultimate cost also could be furnished to aid the negotiation.

I have only scratched the surface in these remarks to reveal the tremendous potential sources of information that can be tapped to give the insurance buyer a better opportunity to aid his corporation. ■

Charles F. Levinson, insurance manager, the Port of New York Authority holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

Education

Continued from preceding page

colleges and universities may do a good job. But youngsters who do not intend to get degrees are frequently short-changed by the system.

Artists and scientists

Of great importance are the individuals gifted with talent and creative drive for writing, painting, research and related activities. These people have always faced a difficult decision. Should they cling to the field of their talent—and possibly face poverty and deprivation—or should they compromise with the world and devote their major energies to work that could be performed by anyone, while their talents wither?

If the amount of time required for individual production dwindles and the time available for education and leisure in-

creases, one possibility would be that, instead of putting time into education, these people could put time into writing, painting or research. The result should allow them to continue to grow and to enrich our civilization.

In fact, just as some workers today are self-employed, so some of those a generation from now could be self-educated. They might well find they could accomplish more by directing their own educational activities than by formal schooling.

Leaders

The term "revolutionary" may bring to mind a wild-eyed hippie screaming obscenities on a college campus. For this reason, you may object if I say that the U. S. is a nation of revolution.

Yet the U.S. was created by revolution and came into existence at a time of radical social change in Britain and France. Throughout the 19th Century this country offered a haven for the unsuccessful revo-

lutionaries who fled from the radical violence that swept across Europe. And in the early decades of this century, it was the example of successful democracy here that brought down the old order in Europe, as monarchies crashed in Germany, Austria-Hungary, Russia, Turkey and elsewhere.

We are still a nation of revolution. Living standards, the construction of super-markets, the organization of corporations and industry—even the worldwide use of our language—in all of these things we are sweeping the world, not because we want it, but because the rest of the world wants it.

Don't take my word for it. In a recent book "Neither Marx nor Jesus," French author Jean-Francois Revel has stated that only the U.S. has the economic power to permit the forces of dissent. "The United States is uniquely capable of ushering in a world revolution that will solve such previously untractable problems as the

nuclear arms race, pollution, inequitable distribution of wealth and the population explosion."

And so one of the things that our system, or any system, must do is to bring leaders into existence. We must produce leaders not only for our nation but also for our world. And what system can do this better than one intended to produce not only a rising standard of living but also the leisure that may be used to cultivate the arts of leadership? ■

Bion Francis graduated from the Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Mathieson Chemical Corp. and Crucible Steel Co. of America, and has been president of the Insurance Buyers' Assn. of Pittsburgh. He is now manager of benefits planning of Colt Industries Inc.

Risk management notes

prepared by Warren, McVeigh & Assoc., risk management consultants, San Francisco, Cal.

Foreign Insurance

In addition to problems presented by the many differing insurance practices in foreign countries, there are many important intangible aspects. One of these is the relation of your company to the government of the country involved. Many developing countries have highly restrictive laws on insurance as well as standard practices solidified by custom.

In some cases it is legally possible to save a considerable amount of premium by ignoring the practices or developing outside methods of protection. If such practices jeopardize the good relations of your company with the country, the savings could be more than offset in other areas: taxes, for example. It may therefore be desirable to create a section in the corporate risk management policy to the effect that major insurance decisions in foreign countries will be made only after consultation with princi-

pal company executives who are in a position to weigh the political implications. Neither the political considerations nor the insurance cost should be overriding, but the decision should be made with the full knowledge of the extent of each activity.

A second aspect of foreign insurance which is vitally important is the fact that some practices are required by law while others are simply traditional methods of doing business which have no legal sanction. In practice it is often difficult to distinguish between the two, and it may be necessary to have experienced local legal counsel advise on these points.

Record Keeping

The basis for a sound risk management program is a complete and well-organized set of records, yet it is surprising how seldom they are kept. To a large extent this may be due to excessive reliance on the broker. The broker does keep some records but not all that you need, not in the form you need them, and not organ-

ized in such a way that you could readily approach other brokers or direct writing companies for competitive quotations. Recordkeeping is a function that must be done in-house if it is to be effective. Such records include:

- **Loss History:** All losses of all types should be recorded in a log. Basic information such as the date and location should be shown in addition to the total amount of loss and amount recovered from the insurer.

- **Premium History:** Each type of insurance should be recorded so that its annual cost can be seen, broken down by years. Each annual premium should be correlated with the losses paid in the year for which the premium applies. This will develop the loss ratio that is important to show whether the premium may be adequate or inadequate. Such information, over a long time span, should prove valuable, yet it is seldom that even brokers have such figures available.

- **Old Policies:** Old liability, workmen's compensation and fidelity policies

should be safely stored in a fire-resistant location because of the possibility of claims many years after expiration. Property coverages need be maintained only until all outstanding losses have been adjusted.

- **Insurable Values:** At each location building and equipment stock values should be updated annually. Every major building should have a file that shows the original source of the valuation, either the construction cost, contractor's estimate, appraisal, or other source, with the annual factors that have been used to update the values. This seems so obvious as to hardly be worth mentioning, yet many firms overlook keeping these figures.

Many other records are useful, but the above are fundamental to any risk management program and none should be delegated to any outside person, either an insurance company, broker or consultant. Certainly they may be used for assistance in developing the figures, but the ultimate responsibility for accuracy as well as for their maintenance is with you. ■

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Your way to beat the Lags

letters

Continued from page 18

automobile no-fault insurance appears in this issue in connection with a questionnaire for corporate insurance managers concerned with the effect of the plan on their motor fleet insurance. Recently we saw a suggestion that individuals insure themselves against the economic consequences of medical malpractice, a plan that would place such recoveries on a no-fault basis. To date, we have seen no such suggestions in the areas of product liability or professional malpractice by engineers and architects, although some insurance programs for construction sites would appear to cover mistakes

by the designers and builders. Mr. Miles raises a pregnant question, one that might evoke comment from other readers.

Thinking about thinking

To the Editor: I couldn't resist dropping you a line on your editorial "How do you think?" which appeared in the April 26 issue.

I have no master plan for solving the problem, except to point out what I feel is the obvious answer.

Most executives who complain about the lack of time and circumstances needed for "deep" thought are in reality spending valuable time thinking "about" thinking, rather than doing the "real" thing.

To me, it doesn't matter whether you have a private office, or are out in the bullpen with the great unwashed; serious thinking is not a matter of locale

—it is rather a matter of not allowing yourself to fall into the trap of thinking "about" a problem, or figuring out various "approaches" to it, while in fact, you are avoiding dealing with the task directly.

I am not suggesting the snap-decision approach to handling business chores; I am saying that too much pre-thought is the culprit. Anyone who has ever worked for a newspaper knows a hell of a lot of thinking goes on, without benefit of private offices, endless conferences on developing a master plan to the task at hand, and all the other gimmicks.

Unless you happen to be a professor at the Institute for Advanced Study at Princeton, I am hard pressed to justify a reason for businessmen to complain about this subject.

Patrick Griffin

National Safety Council, Chicago, Ill.

Two thinking methods

To the Editor: This letter is in response to your inquiry through the editorial in the April 26 issue of *Business Insurance* concerning pet methods of thinking through a matter. I have two "helps" to offer.

First, it has been very helpful to me to fold my hands up over the top of my head and lean back in my chair. The benefit is a physical one rather than psychological. It allows the blood to flow more freely to the brain permitting a surge of oxygen to be carried there. Try it!

Second, brainstorming has become popular. However, it does not always produce a thorough enough solution. I find that keeping the problem around in sight so that my mind can gravitate back to it occasionally over a period of time gives me a chance to see new possibilities which

might not be apparent under the certain frame of mind I may have been in at the time the problem became known. Time seems to be the secret ingredient for other than routine decisions.

Leigh S. Grant

Assistant Controller, Dames & Moore, Los Angeles, Cal.

Unique method

To the Editor: Your "How do you think?" editorial in the April 26 issue interests me considerably because I believe that I do have a rather unique method of inducing concentration. In the corner of my office, opposite to the corner where my desk is placed I have installed, on a table, a so-called "Lava Lamp." The liquids in this lamp are constantly moving. I do, indeed, put my feet up on my desk and stare at the Lava Lamp. There is some sort of soothing or hypnotic effect because I find that concentration on the lamp does aid thinking tremendously.

Philip H. Conner

Insurance Manager, Vanderbilt University, Nashville, Tenn.

Policy not applicable

To the Editor: I should like to comment on the article in the April 12 issue of *Business Insurance*, "Accounts receivable: definition and risk solution." Recently I was presented a situation which involved the following facts:

Insured operated a chain of retail gasoline stations with small office headquarters situated in a large metropolitan city. At each station the daily receipts included credit card sales of approximately 75% of total business. The customer signed and retained one copy of the "charge slip," the station sending a ledger sheet of all "charge" entries plus two copies of the "charge slips" to the company central office by mail. Here the basic accounting was accomplished and one copy retained and another sent to a local bank for collection.

The immediate problem was coverage from the time these "credit invoices" were mailed from each station to the office headquarters. It would certainly seem reasonable to assume that while these slips are in the mails that these were accounts receivable to the insured. Although the language of the accounts receivable policy does not define "accounts receivable" to any degree other than "All sums due the insured from customers, provided the insured is unable to effect collection . . . of loss or of damage to records of accounts receivable."

We felt the proper coverage to be issuance of an accounts receivable policy covering the headquarters location with an endorsement extending coverage outside the premises (Standard B-716) and also extension of coverage at the branch locations (B-717). There is no exclusion regarding mail conveyance.

The article by Mr. Rodda indicates that the broad form money and securities policy would be proper coverage for such an operation. This may be true to an extent, but there is no coverage while these slips are in transit by mail.

I believe that further clarification should be made regarding the extent to which the accounts receivable policy applies.

Francis H. Puckett

John C. Paige & Co., Boston, Mass.

INA buys insurer

INA Corp. has agreed in principle to acquire Alaska Pacific Assurance Co., a Juneau, Alaska-based property and casualty insurer that specializes in workmen's compensation coverage.



Check our follow through.

If you are not getting the proper distance out of your ball perhaps it's your follow through, but don't take our word for it — see a pro. And it's the same with insurance — if you want to be sure you won't be wiped out by a high liability claim see a pro, an independent insurance agent. Chances are he will recommend a Chubb Personal Excess policy. It provides broad catastrophe coverage of a million or more above your regular liability limits at a very reasonable cost.

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Blue Cross is sued for using its collective clout

PITTSBURGH—Blue Cross of Western Pennsylvania is being sued by a commercial health insurer in a federal court here for doing, in effect, what insurance commissioner Herbert S. Denenberg has been telling it to do.

The suit, brought by Travelers Insurance Co., alleges that Blue Cross is violating anti-monopoly laws by obtaining discounts from hospitals treating its group subscribers. Blue Cross, the Hartford-based insurance company says, has an unfair advantage over commercial carriers because it can offer significantly lower premiums than it can. Commissioner Denenberg, in recent hearings, has told Blue Cross plans to use their collective clout to hold down hospital costs.

Blue Cross lawyer John W. Wishart, in commenting on the court action, said, "If Travelers gets everything it is asking for it would pretty well destroy us nationally. The consequences could be disastrous for the people here," he said, noting that many of the 77 other Blue Cross plans around the country also get special rates from hospitals. "I know of no Blue Cross plan which pays anything the hospital asks," Mr. Wishart said.

THE TRAVELERS, according to George L. Brodigan, its attorney on the case, filed the suit here because the hospital discount is unusually large and because Pittsburgh is especially "employee benefit conscious."

If Travelers were to win the case, according to Mr. Wishart, it would have an immediate effect upon Blue Cross rates in the area.

Regan takes over M&M presidency

NEW YORK—John M. Regan Jr., who feels that his company should retain its emphasis on large accounts, took over the presidency of Marsh & McLennan Inc., the large brokerage and employee benefits firm, May 19.

"The greatest challenge facing Marsh & McLennan at this time is keeping up with the requirements of our jumbo accounts," Mr. Regan told *Business Insurance*. "We will be looking into such areas as mass marketing, but again with the emphasis on the large accounts. They are not doing business with relatives any more. They are looking for the right answer and the only way to keep their business is to show them that you merit it."

Mr. Regan, 49, succeeds Henry W. Otis, who has retired from the presidency and as chairman of the board of Marlelennan Corp., the parent company.

"There have been marked increases in both the sophistication and the modern techniques in the business," he went on. "We are just thankful that we have been hiring trainees for quite a while. They are young and not afraid to use the computer or other more modern approaches to problem solving as some older people are. It is these young people who are supplying the innovation."

Mr. Regan, who will continue to serve as a director of Marlelennan Corp., has been with the Marsh & McLennan organization since 1946. He has been a director of the company since 1967 and was named exec vp in 1968. ■

Subscribers were handed a 16.5% rate increase last November.

Travelers, on the other hand, contends a victory for it would mean greater benefits for hospital patients who aren't Blue Cross subscribers.

Blue Cross, in the meantime, is contending that anti-monopoly laws don't apply because its operation is regulated by the state insurance commissioner. Travelers, however, has replied to this by saying the law doesn't apply because Blue Cross is using "economic coercion" on hospitals to get them to sign contracts. The law, Travelers says, doesn't exempt insurance organizations if they engage in "boycott, coercion or intimidation." ■

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london line

Lloyd's to pay borrowed gem theft claim—then review jewelers' rates

LONDON—Lloyd's has agreed to pay out \$600,000 cover for gems stolen at Claridge's Hotel from the Vicomtesse Jacqueline de Ribes, who had planned to wear them at a party given by U.S. Ambassador Wallis Annenberg (*Business Insurance*, Dec. 7.)

But they may review their rates for jewelers who take out cover for expensive items of property and then lend them to wealthy clients. It is felt that

while this system of loaning gems "on approval" to internationally-famous people is quite legitimate, it naturally involves exceptional theft hazards that can no longer be neglected.

Film actresses tend to be among clients who like to study jewelry in this way before finally deciding to buy it. Yet they can be very vulnerable to attacks by robbers because of their publicity.

UNDERWORLD informants

have failed to give any clue to the Claridge robbery in spite of a \$60,000 reward being offered by London loss adjusters Douglas Jackson and Co.

The Vicomtesse de Ribes was attacked in her hotel suite last November by men who chloroformed and bound her.

It is thought that her decision to bring the jewels from Paris to London became known to crooks who got a tip off from contacts in "high society" circles. Similar

leakages of information could occur in many parts of the world where wealthy people circulate, and so expose valuables to risk while they are on loan.

The Vicomtesse had the jewelry on approval from Louis Gerard, a well-known Paris jeweler, who said later: "While she had it on approval, there was nothing to stop her wearing it in London, Paris or wherever she liked."

WORLD AIRLINES are losing at least \$100 million through thefts and frauds, according to security men who attended a seminar organized by the International Air Transport Assn. to tackle the menace.

Anthony Stephens, director of security and fraud prevention at its Montreal center, told delegates in London: "We are getting almost daily reports of stolen tickets, mainly from travel agents. Large gangs are often involved, but we are fighting the problem

in every way."

He claimed that publicity and legislation were helping to combat the black market in stolen tickets.

Losses through such frauds ran as high as \$6 million a year in the U.S., and \$18 million to \$20 million worldwide, he asserted.

Counterfeit tickets from Manila are reportedly being produced for traffic routes operated by Pan American, Philippine Air Lines and Japan Air Lines.

INCREASING use of super-tankers won acclaim in Manchester, Eng., from John Kirby, Shell tanker expert who is president for 1971 of the British Chamber of Shipping, when he told ship-owners:

"The use of larger tankers does not increase risk of pollution. It decreases it. Larger ships to meet increasing demand means fewer units at sea, and therefore less congestion. Larger tankers today, and their successors tomorrow, are just as maneuverable, if well handled, as the smaller ships of yesterday. It is easy to get an overly dramatic picture."

While he spoke, Liverpool Underwriters Assn. announced that more ships were lost worldwide last year than in 1969, but total tonnage lost was lower.

RISK MANAGERS with global corporations were advised at a European seminar on insurance systems in Brussels to check local taxation laws before taking out non-admitted cover in foreign countries.

Dr. Jean Fuchs, manager, Henrijean and Co., Brussels, pointed out that the parent company would normally analyze and evaluate the various risks involved in a worldwide program.

He continued: "Once the insurance manager has done this, and evaluated the needs in each particular country where his group operates, he will have to choose the best method of implementation. He can either arrange it locally in the foreign country concerned, or arrange it directly in the insurance market in the country of the parent company, namely by the method usually termed 'non-admitted,' cover written by an insurer not legally licensed or registered in the particular foreign country.

"PENALTIES for breaking local insurance control laws can be heavy, but some companies believe they can avoid them by not informing their local subsidiaries that non-admitted insurance has been taken out.

"The penalties imposed by taxation laws, however, can be even more dangerous. Insurance managers, companies or brokers do not pretend to be tax experts.

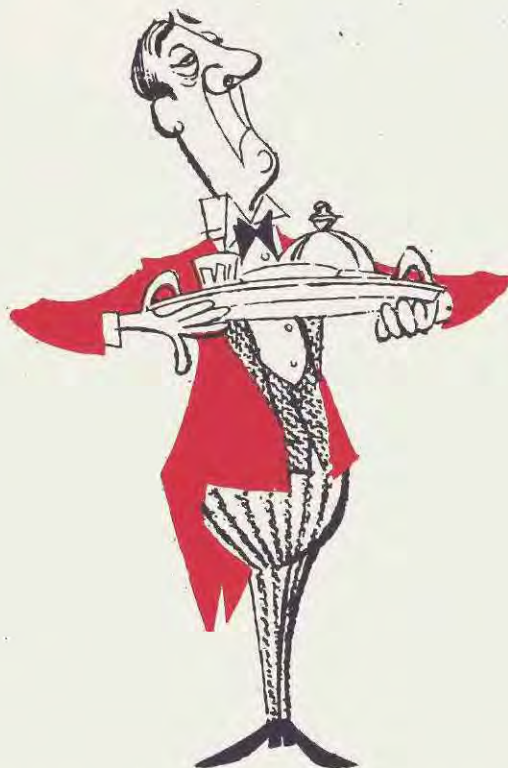
"The least I can say is that it is essential, before taking the decision of arranging non-admitted insurance in a foreign country, that the person responsible for the insurance must carefully investigate with the tax experts what the implications are in case of a loss.

"Experience has shown that this is very often overlooked, and results in an unhappy surprise when receiving the indemnity."

Commercial Union offer

Commercial Union Assurance Co., London, has made a \$66 million offer for outstanding stock in Employers Group Associates of U.S.A. Ronald C. Brooks, corporate chairman, told British stockholders: "This will enlarge our investment in the U.S. and will enable us to consolidate our insurance operations there to reduce costs and provide better underwriting results."

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Lloyd's won't pay off on armored car heist

BOSTON—The Massachusetts supreme court has ruled that Lloyd's of London does not have to reimburse six metropolitan Boston supermarket chains for the loss of more than \$400,000 in an armored truck heist four years ago. Lloyd's had written the armed robbery cover on the Skelly Detective Service truck involved in the incident.

Denial of the coverage evolved from precise language in the armored car service's policy. Lloyd's required that guards be "in attendance" at the vehicle itself for the policy to be in effect. The guards were having coffee in a snack bar at the time the truck was taken and were not in a position to prevent the robbery as

required by the insurance policy, the court said in its decision.

Judge Andrew R. Linscott ruled that "while 'in attendance' does not necessarily mean physical presence on the truck, it does mean being a great deal closer to the vehicle than standing at a snack bar at a distance of about 25 feet."

The stores that brought the action against Skelly's insurers were Stop & Shop Inc., Bradlees Inc., First National Stores Inc., Elm Farm Foods Co., Save-More Supermarkets Inc., Foodmaster Inc. and King's Department Stores. All had money in the vehicle at the time. They will now have to seek recovery under their own umbrella coverages. ■

Wash Watch

Continued from page 4

JOHN TOWER (R.—Tex.) has introduced legislation to authorize the Secretary of Commerce to establish a "fishing fleet reinsurance fund" to provide reinsurance to carriers against excess losses on claims resulting from damage to or destruction of commercial fishing property caused by storms. According to Sen. Tower, many fishermen and shrimpers are no longer able to operate their boats properly, due in large part to the "ever-increasing insurance rates."

In Texas, Sen. Tower noted, there have been two major hurricanes in the last three years which severely damaged or completely destroyed large segments of the commercial fishing fleet. Most of that damage was covered by insurance, he said, but this resulted in the depletion of the disaster reserves that insurance

firms in the area kept for such storm emergencies and the companies are having to raise premiums in order to regain the necessary reserves.

Some companies have even stopped writing this type of insurance since the risk of these disasters has been so apparent in the last three years, he said. In fact, he continued, there are now only two markets to the insurance and both "seem to be in danger."

Sen. Tower said his bill hopefully would entice new insurance companies into the field by making it profitable again. At present, he charged, a company might only write such a policy for one of its better customers in order to be of assistance to that particular customer. The fisherman or shrimper who has no other insurance but who needs the protection for one or a few boats, has little chance of purchasing adequate protection at any price, much less at a cost he can afford,

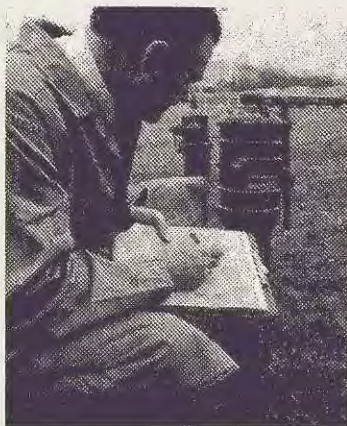
Sen. Tower said.

THE FACT THAT there are currently only two concerns that even consider writing this type of insurance for the average fisherman or shrimper in the Gulf of Mexico area shows that we are in a crisis situation, he continued. "If we should wait until after there is another storm in the gulf, there might indeed be no insurance industry left to save and no fishing or shrimping fleet left to worry about."

Sen. Tower said he did not view his bill as an attempt to put the government irrevocably into the fish industry insurance business.

"Rather," he said, "I view this measure as an extension of the principle that has governed storm losses on land for years; where private companies are unable to protect against storm and storm-related losses at reasonable rates, the government has moved in and underwritten this disaster insurance."

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(Fire Journal July 1970, Vol. 64, No. 4)



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James O. Matschulat has joined Risk Planning Group Inc., Darien, Conn., as vp. He will direct financial risk management plan development for financial institutions, including banks, stock brokers and insurance companies. Mr. Matschulat was formerly a national manager and senior underwriting officer in the financial institutions department of Chubb & Son and the corporation's insurance buyer.

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Commissioner opposes no-fault, develops plan

SACRAMENTO—A plan designed to reduce automobile liability insurance costs by 15% to 25% has been prepared by Richards D. Barger, California Insurance Commissioner, who plans to tell the state legislature he is opposed to the "no-fault approach."

"We have to discard that approach," Commissioner Barger said, "and I think the plan I have in mind will have the best chance of success in the California legislature."

He calls his plan the basic property protection program and it would reimburse an insured up to \$5,000 for medical costs and loss of wages because of an auto accident, with a limit of 25% of the claim or a maximum of \$1,250 additional for "pain and suffering." The claim would be paid by each insured motorist's own insurance company regardless of blame for the accident.

"THIS WOULD not be true no-fault coverage," the commissioner said, "because each insurance company still would have the right to collect from the other company whose client was involved in an accident." Accidents resulting in claims between \$5,000 and \$10,000 under Mr. Barger's plan would be subject to compulsory arbitration. His plan also would not establish any "firm schedule" of payments for injuries.

Commissioner Barger added that his plan, which he will present to the legislature, would also compensate housewives who might also be hurt in an accident. "If a housewife gets hurt," he said, "she would be entitled to \$12 a day. This would help cover the cost of household help during the recovery of a spouse."

Inasmuch as the deadline has now passed for open and free introduction of new legislation, the Barger proposals would have to become amendments to any one of more than a dozen auto accident measures now before the legislators.

Ellison in benefits post

KANSAS CITY, Mo.—Louis M. Ellison has been named by United Utilities Inc. here as staff director in charge of employee benefits.

The new position will involve supervision of administration of all corporate benefit programs,



Louis M. Ellison

including pensions and group insurance.

Mr. Ellison was formerly with International Minerals & Chemical Corp. as manager of pensions and benefits. Earlier he had been with Katz, Wagner & Co., a Chicago public accounting firm.

Commissioner Barger said that "our studies indicate money could be saved and costs reduced if each insurance company were to directly pay the first layer of \$5,000, because 90% of all claims are under that amount."

The commissioner also added that he is critical of new U.S. bumper standards and that the requirement bumpers withstand a front end crash at five miles per hour and 2½ mph in the rear "is not stiff enough. . . although it is a step in the right direction toward cutting soaring auto insurance costs."

The automobile accident study commission appointed by Gov. Reagan also has rejected the so-called "no-fault" concept of auto insurance.

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Ward's risk management concept— decentralize and specialize—works

By TERESA NORTON

CHICAGO—There are some new titles floating around the corporate security and risk management department at Montgomery Ward here but they're only the frosting on the cake. The cake itself took four years to bake and the chefs seem well pleased with the results.

The chief ingredient in the cake was supplied by H. E. Stirmell, corporate security and risk management director, when he decided to decentralize the responsibility for development and implementation of the protection program and to specialize the areas of providing functional direction to all Wards protection units.

He took over his department in 1967 and brought to the 150 security offices across the nation an awareness of the dollar repercussions of their duties. And what he did in security was repeated in the safety and insurance departments.

"IN ORDER TO establish a good risk management program in a company as large as ours," he told *Business Insurance*, "you need a great many people to handle stores, warehouses and other facilities. Before 1967 we had only been able to hope that these people would comply with the written instructions we sent out.

"We made the changes on our own," he said, "and then called in our brokers and told them." At first, he added, the brokers were doubtful that Wards could suc-



H. E. Stirmell



D. T. DeBertram



J. E. Fowl



J. T. Liberacki

cessfully tie together its many branches but "now they support the idea 100%."

Ward's management is firmly behind Mr. Stirmell, too, because the store's insurance expenses per dollar of sales are less today than they were in 1966.

And, as Mr. Stirmell says, "There ain't many things going down in price today."

DONALD T. DeBERTRAM, who has the new title of corporate safety and loss prevention manager, described the changes from his point of view: "Before Mr. Stirmell took over there was no field activity to check on branch safety departments." The field organization was there all along, he noted, and loss prevention functions were being performed "but never as a prime, coordinated responsibility to obtain a nationwide object."

Now, however, his department is seeing "constant improvement," he said, and there are four regional directors responsible for carrying out his programs. Each branch location uses a standard manual on safety and loss prevention and is visited at least once a year by the field staff. It is then Mr. DeBertram's job to evaluate their criticisms and this often involves a personal visit to the branch.

Ward's corporate protection manager, also a new designation, James T. Liberacki, told *Business Insurance* that the company faces the same security problems as all other businesses today: a rising crime rate and a shortage of qualified security personnel. He said that over the past several years smaller companies that thought they had adequate protection programs discovered that a retiree in a uniform wasn't doing the trick for them. Consequently, they "robbed" larger companies of their experienced security people by offering them salary increases of \$3,000 to \$5,000 to come to work for them.

Mr. Liberacki uses a continuing series of letters to field management and employee posters to communicate security, but he was quick to point out that these communications are carefully designed. "We try never to offend employees. We don't want them to feel that we think they are all crooks," he said.

ONE OF HIS MOST successful programs, and the only one in which monetary employee rewards

Continued on page 40

A dishonest employee could do more than cost your company money.

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Embezzlements cost companies more money than all other crime losses combined. That's something to keep in mind if you're in charge of your company's insurance portfolio. Ask your agent or broker to get in touch with F&D. With over 80 years of experience behind us, we can analyze your company's needs and recommend the kind of comprehensive crime coverage suitable to your needs — thus protecting both you and your company.



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Hecht pays \$165,000 for false arrest.....

WASHINGTON—A 31-year-old man has been awarded \$165,000 in damages from the Hecht Co. department stores on charges of false imprisonment, assault and battery and "insulting words." The award was made by Washington D.C. Superior Court Justice Orm W. Ketchum on April 16 after a week-long trial. A source at Underwriters Adjusting Co., which handles claims for the Continental Insurance Cos., has confirmed that Hecht is covered by Continental and is filing under its policy. Liability policies written for department stores usually cover false arrest.

The award was made to Rodolfo Devercelli of Arlington, Va. According to testimony given at the trial, store detectives had man-handled him and accused him of being drunk or a dope addict. Mr. Devercelli said that his awkward movements were due to a kidney transplant he received in 1965 at Georgetown University Hospital while he was serving as air attache at the Peruvian Embassy. During the trial Mr. Devercelli testified from a wheelchair because he is no longer able to walk.

In an interview with *Business Insurance* Mr. Devercelli's de-

fense attorney, Paul Wolff of the D.C. law firm Williams & Connolly, said that his client had gone to the Hecht Co.'s Arlington store with his wife on July 15, 1968, to participate in a special sale. Mr. Devercelli and his wife went to different parts of the store to make their purchases. According to Mr. Wolff, Mr. Devercelli put a 99-cent pair of cuff links into his shopping bag along with other merchandise he had been collecting to buy when he was grabbed very roughly by a guard. He said "I believe you made a mistake," but was ignored as a second guard arrived and hurried him off to the security room.

"HE WAS HELD for an hour and a half," said Mr. Wolff, "and was given no chance to call any-

one. The guards would not look for his wife. Three or four other guards came in, one of whom took off his jacket and kept patting his holster. Mr. Devercelli had to get home to take medication which keeps his body from rejecting the transplanted kidney, but they wouldn't let him go till he signed a release. At the trial one guard testified that even if an innocent man is arrested "he won't be set free without signing a release."

According to Mr. Wolff, Mr. Devercelli had no intention of suing at the time, but his physician was enraged when he heard the story and had his own lawyer write the Hecht Co. asking for an apology. "We got back a one-line letter saying 'You will hear from our insurance company' and never heard from them again," said

Mr. Wolff. "So the day before the statute of limitations was up we filed a suit. The Hecht Co. refused a \$3,000 settlement offer even though the court urged them to accept it. Mr. Devercelli wanted only a token, and then a contribution to a kidney foundation, but Hecht rejected the whole thing."

The \$165,000 award made to Mr. Devercelli, Mr. Wolff reported, includes \$75,000 for false imprisonment (\$50,000 of that punitive and \$25,000 compensatory) and \$10,000 for "insulting words."

J. Roy Thompson, the Hecht Co.'s attorney in the case, told *Business Insurance* that he has filed a motion to set aside the judgment for a new trial. "The judge will have to pass on my motion," he said. "If he refuses we will appeal the case." ■



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Black & Decker drug abuse film

FAYETTEVILLE, Md.—The Black & Decker Co. facility here has prepared a presentation to give insight into the drug abuse problem for its supervisors and managers at the factory. A video tape made of the presentation, conducted by a former drug addict, has also been shown to plant supervisors.

The film was presented to all employees of the plant, and their families, before and after each shift in the plant cafeteria.

The film is presently scheduled to be duplicated for use by other Black & Decker facilities.



A \$7,300 fellowship to study risk and insurance has been awarded to Donald J. Doudna, a senior at Drake University's college of business administration. He received a fellowship from the S. S. Huebner Foundation for Insurance Education and will enroll this fall at the Wharton school of finance and commerce, University of Pennsylvania, to study for his doctorate degree. The fellowship is renewable for two years. In 1970 Mr. Doudna received a \$900 scholarship from the Iowa Foundation for Insurance Education. His father, Kenneth Doudna, is an attorney in workmen's compensation cases for the Iowa Industrial Commission.

Ward's...

Continued from page 38

are used, has been collecting stolen credit cards. "Ward's has hundreds of clerks checking hundreds of stolen charge card numbers for them every day," he explained.

The company self-insures its workmen's compensation and carries a \$300,000 retention on property damage coverage, primarily on its Montgomery Ward locations. According to Joseph E. Fowl, newly titled corporate insurance manager, these are the areas that have experienced the

greatest cost savings since 1967. He added that Ward's is moving toward the \$300,000 retention on all their property insurance.

Mr. Fowl said that he is working with the same size insurance staff today as when the decentralization/specialization program began, but he has added to his loss prevention personnel on the branch level.

On March 1, Ward's took over the insurance and inspection programs of one of its subsidiaries, Hydro-Conduit Co. "They have 27 plants and a \$12 million payroll," Mr. Stirmell said, "and we have converted their public liability, motor fleet and workmen's compensation coverages over to Ward's policies. The remainder of their insurance will be converted as its expires." Mr. Liberacki has also taken over the subsidiary's security.

"THEY HAD NO security department, as such," he said "and we are at their service now. But I have a feeling that it will be a duty rather than a favor in the future."

Montgomery Ward uses several brokers to handle its vast insurance needs. Among them are Marsh & McLennan Inc. on marine, aircraft and public liability; Johnson & Higgins on directors and officers liability coverage; Alexander & Alexander Inc. on fleet and Rollins Burdick Hunter Co. on boiler.

One of the brokers, who had nothing but praises for Ward's security and risk management techniques, pointed out that the company's success was due to the fact that the program had been built up over a long period of time and that the risk manager knew how to use the tools available to him to reach top management and branch-level employees equally well. "Mr. Stirmell has an unbelievable capacity for equating statistics from past loss experience to the costs and causes of losses and the people responsible," the broker said.

Ward's risk manager, he continued, uses fact charts to stimulate competition between regional divisions in the company. "He can point to the aggregate cost of claims, for each region, in workmen's compensation, public liability, property damage and employee infidelity and shoplifting," the broker said, "and then express the claims costs as a percentage of sales. And because Mr. Stirmell knows these facts so well he has a much better control of loss frequency and severity."

HE ALSO EXPLAINED that each Ward's location has its own profit and loss statement and that each must self-assume a small portion of its losses in the four categories. He emphasized that "above-the-line imposition on the profits of a store is a useful tool both in shaping the store manager's attitude and in reaching top management.

"Insurance markets have been cognizant of Ward's efforts," ac-

cording to the broker, "and now feel that the company has firmly established its ability to control losses and manage claims it is involved in settling." In fact, he has used Ward's as an example to help his other clients establish successful risk management departments, he added.

Gordon Dale, vp of Protection Mutual Insurance Co., direct writer for Ward's nationwide property coverage, told *Business Insurance* that "there has been a much better follow-up for our recommendations, which is paramount in our line of business, since Mr. Stirmell's program began."

"Normally, we inspect proper-

ties one to three times a year, depending on size," he said, "but the fellows at Ward's run inspections more frequently. They are really indoctrinated and know what to look for in the way of housekeeping, which we consider very important."

Ward's has increased the responsibility of its field people, Mr. Dale explained, "as far as implementing recommendations" and their improved communication system has helped. In the past, he explained, communication often stopped at the district level but the company now has 15 to 20 field representatives, equipped with the means of communication, traveling to branch locations.

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Four-day week gains

Two Boston-based insurance firms will soon institute the four-day workweek. Rockland Mutual Insurance Co., which underwrites fire, auto property and physical damage insurance in four states and the District of Columbia, has set its workweek up for all nonsupervisory personnel. Working hours will be 8 a.m. to 6 p.m., with half of the staff working Monday-Thursday and the remainder Tuesday-Friday. The second company, Brokers Premium Acceptance Corp., which finances auto insurance premiums, will operate its four-day week similarly.

following the funds

New York City's contributions to its teachers' pension fund almost double

NEW YORK—This city's contributions to the teachers' pension fund will almost double next year when it begins picking up 75% of the tab as a result of a contract signed between the board of education and the United Federation of Teachers in 1969. Costs had been running \$112 million a year. The new agreement will push it over the \$200 million mark.

At the time the contract was signed, which for the first time was done before an old contract expired, Mayor John V. Lindsay hailed the pact as an "historic settlement." It was one of the rare labor settlements reached amicably between city officials and its public employee unions.

However, one Lindsay administration official has now been quoted as saying that it was "the biggest steal in the history of municipal collective bargaining."

THE UNITED Federation of Teacher's pension improvements under the contract were substantial. For example, a teacher was granted the right to retire at half pay after 20 years. Retirement benefits, however, must be deferred until age 55 or when the teacher would have completed 25 years of service. In the past, a teacher with 25 years of service was eligible for retirement only after age 55.

Also boosting the city's pension costs under the contract is a revision to the computation. It will now be computed on the last year's earnings instead of the last three years. In addition, the board of education also agreed to contribute to the fund on a 3-1 ratio. Formerly payments were shared equally by the teacher and the board.

The full effect of the improvements will not be felt by taxpayers until the 1972-73 fiscal year, when the city will begin funding the costly improvements.

Teacher pensions for the 1971-72 fiscal year, which begins July 1, are estimated at \$112 million. Six years ago this figure was \$101 million. In 1972-73 the cost will go to "more than \$200 million," according to city actuary Jesse Feld, and the increase is a result of the 1969 settlement.

Commented board of education president Murry Bergtraum, who was one of the city negotiators for that contract, in an interview earlier this month:

"If anyone wants to say the pension settlement was too generous, they've got a right to say it. I have some misgivings about it—and I had them at the time. So did all of us."

TRUSTEES OF the jointly administered paper industry union-management pension fund have approved significant changes in the fund's operation, including liberalization of eligibility requirements and vesting provisions.

According to vp and director of the fund, Oren Parker, the minimum service requirement for normal, reduced, early and disability pensions has been lowered from 15 years to 10 years.

"This is a significant improvement, particularly in connection for a disability pension," Mr. Parker said, noting that an employee who becomes totally and permanently disabled upon reaching age 45 and after accumulating 10

years of pension credit will receive his pension as long as his total and permanent disability continues. Under the vesting changes, employees may now apply for a pension after age 55 after earning at least 10 years of future service credit.

The board that administers the fund also increased the guarantee of pension payments from 36 to 60 checks. Moreover, in the event of a pensioner's death the remaining number of payments will be given to his designated beneficiary.

Formerly, payments under the guarantee provision were limited to the surviving spouse only. However, this has been broadened to provide payment to a succession of beneficiaries, if necessary, until a total of 60 payments has been made.

The improvements, according to Mr. Parker, have been made without adding any cost to employer contribution rates.

Employees covered under the fund include members of the International Brotherhood of Pulp, Sulphite and Paper Mill Workers. ■

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Rehabilitated drug abusers not employment risks

CHICAGO—Risk managers and employee benefits administrators who may have felt that hiring rehabilitated drug abusers is an unqualified corporate mistake should take a look at what the Kemper Insurance Group is doing.

Kemper recently became the first major employer in the area to formally announce a policy of

hiring former narcotics addicts on the basis of their job qualifications alone. The insurer is working with the Illinois Drug Abuse Program (IDAP) and James S. Kemper Jr., president, thinks they will have a high percentage of success cases on their payroll.

According to spokesmen for the program and for Kemper, employers should not feel that former drug abusers pose employment risks. "When we say 'rehabilitated,' that's exactly what we mean," said Matt Wright, mid-south director of IDAP, "and a person who is receiving treatment with methadone (a drug that cuts the craving for heroin) is capable of doing any job and operating any machine."

"AND," MR. KEMPER added, "it's stupid to spend tax money on rehabilitating people and then have no jobs to offer them."

Through its subsidiary National Loss Control Service Corp. (NATLSCO), Kemper offers programs for control of drug problems and other behavioral conditions just as it has offered alcoholism rehabilitation services since 1963. A booklet published by the insurer "What About Drugs and Employees?"—provides supervisors with policy information concerning instances of on-job drug abuse and nondiscrimination toward hiring of rehabilitated drug abusers.

"Somebody had to be first," said Mr. Kemper, in reference to the company's public announcement of its hiring practice, and he hopes that other companies who have had a "quiet" policy of hiring former drug addicts will come out in the open and let people know what they have been doing.

Companies that have made hiring commitments to IDAP include Allstate Insurance Co., Illinois Bell Telephone Co., Continental Illinois National Bank, U. S. Steel and the Cook County Office of

Economic Opportunity.

KEMPER'S policy on instances of drug traffic entails immediate dismissal and a report to proper authorities. Company spokesmen note, however, that the proper handling of instances of drug abuse may not always mean termination. "Recommended," they say, "is a close analysis of the employee's relation to the company and how he can be helped."

"Prominent in any action regarding employee drug abuse is the knowledge that proper guidance can be more effective for the company and the user than termination."

Jerome H. Jaffe, IDAP director and associate professor of psychiatry at the University of Chicago, explained at Kemper's announcement meeting that IDAP does follow-through research on all former drug abusers hired from its programs, gives periodic reports to employers on their progress and sends a letter guaranteeing this with all job applicants.

KEMPER, which had a 66.66% success ratio with its alcoholism rehabilitation program, is also doing follow-up research on its employees and, according to the president, preliminary results have been favorable.

Cle Young, vocational rehabilitation specialist at IDAP, told *Business Insurance* that employ-



At Kemper Insurance Group's public announcement of its new policy on hiring rehabilitated drug abusers Matt Wright, mid-south director of the Illinois Drug Abuse Program (left), and Lewis F. Presnall, director of Kemper's rehabilitation services, discussed the need for a change in employer attitudes toward drug abusers.

ers had better face the drug abuse problem and become aware of rehabilitation facilities now because returning Vietnam war veterans will be bringing even more drug problems onto the scene. "These young men will be flooding the job market," he said, "and

committed to rehire employees who left to go into the service."

Violence and drugs are problems that companies are going to meet with increasing intensity, he emphasized, and companies are going to have to re-orient the employees who have them.

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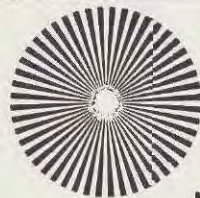
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Resolve to ask private pension cover

MADISON, Wis.—The state assembly's labor committee has passed a resolution asking Congress to establish an insurance program for private pension plans.

Organized labor representatives hailed the resolution. It is designed to assure the 30 million workers now covered by private pension plans that they would not lose pension benefits in case their employers went out of business.

Proponents of the resolution cited recent plant closings in Wisconsin as examples of the need for pension insurance.

Ralph Koenig, representing the United Auto Workers Union at Allis-Chalmers Corp., said that 25,000 to 30,000 workers lose their jobs each year because of company shutdowns across the country. He said that workers received only 15 cents for every pension dollar they were entitled to when Studebaker went out of the automobile business several years ago.

"It's not only the worker but the entire community that reaps the benefits of a secure pension system," he said. Mr. Koenig added that a national pension insurance plan would cost subscribing companies only about half a cent per man-hour.

Lung disease measure

A proposed measure that would include lung diseases along with heart diseases as illnesses that can be presumed to have been incurred in the line-of-duty for firemen has been endorsed by the Connecticut legislative joint labor committee. If approved, the bill would make firemen eligible for workmen's compensation if they are disabled by lung diseases.

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